



USAID
FROM THE AMERICAN PEOPLE

ECONOMIC SECURITY PROJECT

SEMI-ANNUAL REPORT #13

APRIL 1 – SEPTEMBER 30, 2012

Economic Security Project

SEMI-ANNUAL REPORT #13

APRIL 1– SEPTEMBER 30, 2012

October 11, 2012

DISCLAIMER

The author's views expressed in this report do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Development Alternatives Inc.

Vase Pelagica 15

11000 Belgrade, Serbia

Phone: (381) 11 363 99 00

Fax: (381) 11 363 99 50

Under Contract: DFD-I-00-05-00250-00

Task Order #1

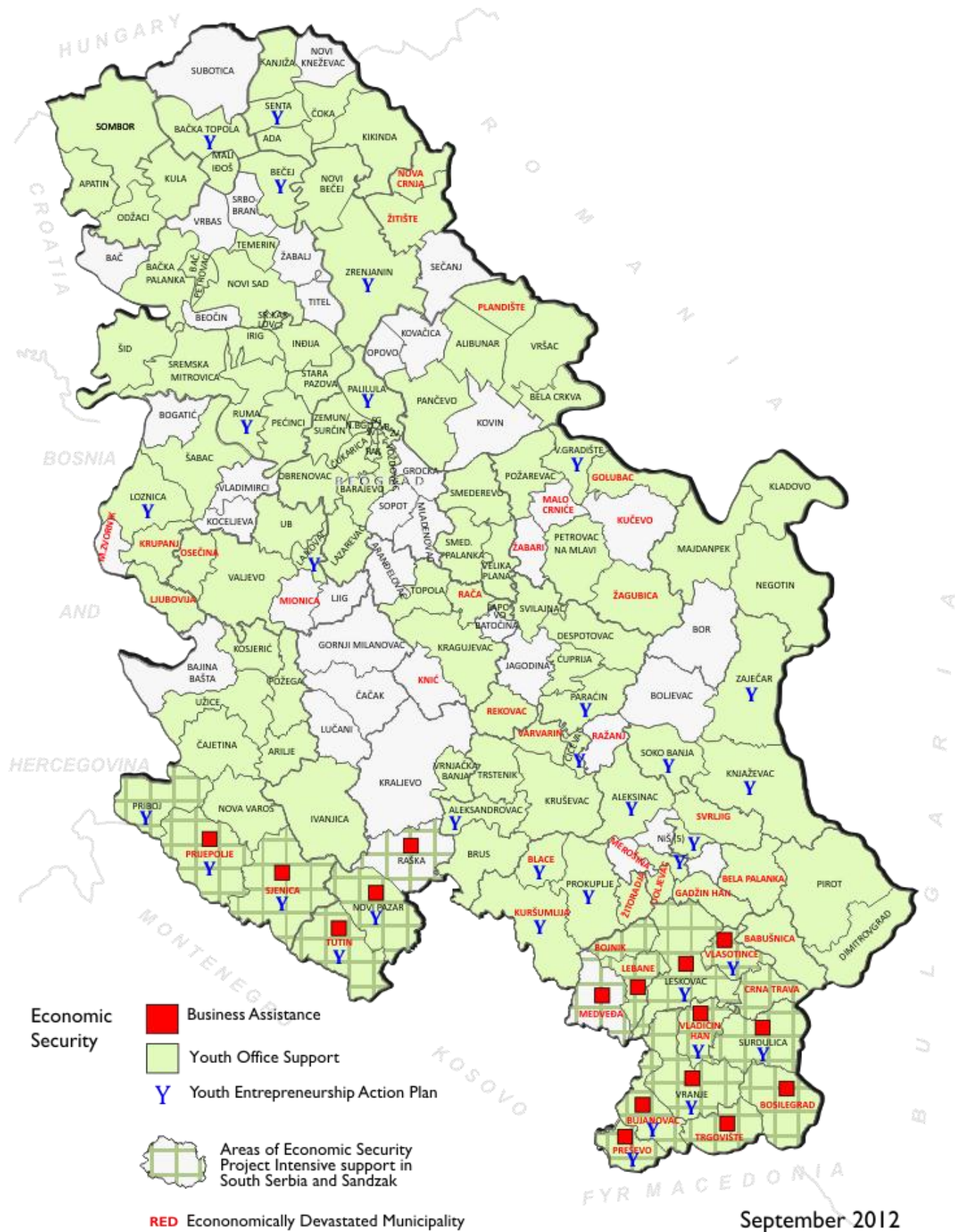
Contents

EXECUTIVE SUMMARY	9
Introduction.....	11
Business Support Activities.....	11
Youth Support Activities.....	13
PROJECT INTRODUCTION	15
BUSINESS SUPPORT	19
Business Support Introduction.....	21
Macroeconomic Context	23
Timeline of Businesses Support Implementation	25
BUSINESS SUPPORT: IMPLEMENTATION	26
Reporting Period Highlights	26
I. TRAININGS: STRENGTHENED BUSINESS SKILLS	29
II. TECHNICAL ASSISTANCE: PREPARING TO EXPORT.....	30
A. Computer-Driven Resource Planning	30
1. Computer-Driven Resource Planning: Cohort One Update	30
2. Computer-Driven Resource Planning: Cohort Two Update.....	31
B. International Standards: ISO and Halal.....	32
1. ISO – 9001 Standards.....	32
2. Halal Certification.....	34
C. New Marketing Materials	33
D. Business Cluster Update	36
III. EXPANDING SALES AND ENTERING NEW MARKETS: Trade Fairs and Trade Missions	39
A. Trade Fairs and Trade Missions April – September 2012	41
B. Trade Fair Updates	47
BUSINESS SUPPORT: IMPACT	49
A. New Market Entry – Trade Fairs and Trade Missions.....	49
B. Sales Data Analysis.....	52
General Findings	54
Export Sales and Jobs: Key Finding	56

YOUTH SUPPORT	59
Youth Population in Serbia.....	60
YOUTH SUPPORT INTRODUCTION.....	61
Macro-Economic Context for Serbian Youth.....	62
YOUTH SUPPORT: IMPLEMENTATION	64
Timeline of Youth Support Implementation	64
I. Support of Youth Entrepreneurship through Youth Offices	65
A. Youth Offices – Training Youth Entrepreneurs.....	65
B. Youth Offices – Youth Entrepreneurship Action Plans (YEAP)	66
YEAP Continued Implementation Support	68
YEAP 2012 Implementation Results.....	68
II. Support to Youth Entrepreneurs.....	71
A. Development of Modern Business Skills.....	71
1. Management and Sales Training.....	71
2. Marketing Training.....	72
B. Improving Marketing Material, Labeling and Packaging	73
C. Access to Start-up/ Capital Funds.....	73
D. Integration with Well-established Businesses.....	74
III. Strategic partnerships	75
A. State University in Novi Pazar Career Center (SUNP).....	75
B. Presevo High School – Local Business Partnership: Internships and Jobs	76
C. Economic Faculty, University of Subotica – Bujanovac Career Center	76
D. Cooperation with HELP	77
E. JAS Implementation	77
YOUTH SUPPORT: IMPACT	79
A. Who starts a new business?	80
B. Business Start-up and Sustainability: Accessing Credit.....	81
C. YEAPS: Solving youth unemployment at the local level	82
D. Base Tier Business: Sales Results	88
E. Career Counseling Centers: Linking students and employers	89
F. Junior Achievement Serbia Institutional Support	91

ANNEXES	93
A. Performance Monitoring Plan Tables	97
B. Workplan Progress Gantt Chart.....	107
C. JAS list of Donors 2011-2012.....	115
D. Communications Activities 2012	119
E. Business Profiles	120
Bratislav Djordjevic, Stefi Komerc, Vranje	127
Nusret Zornic, Zornic Dairy, Tutin	129
F. Youth Business Profiles.....	131
Ivica Lazarevic, Vizijal, Vranje	133
Ida Lakota, Lakota, Sjenica	135
G. Success Stories	137
ES Project-designed Trade Missions yield strong Trade Fairs ROI	139
Mayors take charge of youth unemployment with youth entrepreneurship action Plans	141
H. Case Studies	143
Goldstar, Prijepolje	145
Knjazevac Youth Office	147

Executive Summary



Development Alternatives, Incorporated (DAI) is pleased to submit this 13th Semi-Annual Report for the Economic Security Program (ES)¹ covering the period from April 1 to September 30, 2012. As it has done in past years, DAI has combined its Semi Annual report on implementation progress (task order deliverable F) with the annual SO / IR Results Report (task order deliverable H). The indicators that form the core of the Results Report (see Annex A) were revised in mid-2011 to more closely align with USAID/Serbia's own revised SO / IR strategic framework. This report covers the activities and results of the Economic Security Project's two sub-components: Business Support and Youth Entrepreneurship Support.

INTRODUCTION

The Economic Security Project has continued to consolidate gains made during previous periods. Assisted companies that have invested in new packaging, marketing materials, international certifications, business process software and new plants and equipment have been rewarded with increased sales and increased market diversification. Even more encouragingly, businesses have continued to coalesce into clusters to better advocate for themselves and further their companies' collective interests. Young people who have participated in the project's Youth Entrepreneurship activities have obtained internships, found jobs and started new businesses.

While all of these gains are real and bode well for the long-term viability of SMEs in the project's two targeted regions of South Serbia and Sandzak, these gains have been made within a macro-economic environment of extreme stress. Over the past four years foreign direct investment has slowed to a trickle, hundreds of thousands have joined the ranks of Serbia's unemployed, the business failure rate has jumped and domestic demand destruction has hurt small firms relying primarily on the domestic market. Businesses also suffer from lack of a national strategy on economic development, unevenly distributed central government economic development resources, increasingly tight credit markets and punishing labor and business tax rates that make Serbia one of the region's most business unfriendly destinations.

In devising its strategy, the ES project chose to target Sandzak and South Serbia for two reasons: they had some of the highest unemployment rates in Serbia but also were home to a dynamic private sector. In 2007, the region was developing a high concentration of start-ups, had globally competitive wage rates and strong lead industry sections: fashion, light manufacturing and food processing. The project entered the two regions with a highly integrated package of assistance for the businesses in these three sectors that sought to address key weaknesses that surfaced during in-depth needs assessments conducted during the project's first year.

The information in this report, the final semi-annual prior to the project's final report, quantifies the key performance measures achieved in this period – results that also reflect the maturation of project-supported companies and the evolution of those companies' business models. The youth support team's results are equally revealing, showing a transition from its early work of building an institutional framework to support its strategic plan to now quantifying the number of youth start-ups, sales results from existing youth-owned businesses, new jobs created and the wide range of benefits delivered through YEAPs.

Business Support Activities

The project's business support is delivered using the demand driven strategy it started in 2008. The "continuous relationship/intensive" support model responds to the needs identified by the partner companies vital to their growth, market expansion and job creation. Much of the work this period supported the implementation of the activities started between November 2011 and

¹ The Preparedness and Planning component of the PPES project ended in September 2011.

March 2012. The team continued to build the relationships that can secure the long-term sustainability of the project's work. Shoe companies from South Serbia and Sandzak's apparel industry came together as the Serbian fashion industry for an international fair; two new school-based professional development partnerships were launched resulting in 30 new internship opportunities; the project's mature companies mentored the youth-owned, base tier businesses at the Belgrade Construction Fair; and three new industry groups are working toward formal association.

In response to company needs, the business team provided new companies with targeted technical assistance in the areas of computer-driven resource planning, standards and certifications (ISO and Halal), visual identity modernization and trade fair and trade mission participation.

BUSINESS SUPPORT

4 small, Prijepolje textile companies entered their first EU trade fair in September; attending Poland's Poznan Fashion Show, the group closed \$153,000 in new sales.

17 companies participated in international standards activities; 9 Sandzak food producers earned Halal certification for 54 food products in May while 8 manufacturers worked to complete ISO certification by December.

5 South Sandzak light manufacturers will offer paid internships for 30 students from the Presevo Technical High School.

Following are the highlights and results summary of the team's activities:

1. **Computer-driven resource planning:** 8 of its most advanced companies (three from South Serbia and five from Sandzak) are installing computer-driven resource-planning software customized for their firms. This IT solution improves management efficiency and reduces costs by linking information exchange across all functions (production, administration, finance). By program's end, 21 companies will be using the management software.
2. **ISO Standards:** 8 companies (4 from South Serbia and 4 from Sandzak) started the six-month process to earn their ISO 9001 certification. The globally recognized certification is a pre-requisite for opening most European Union markets.
3. **Halal Certification:** 9 food producers from Sandzak earned certifications for 54 food products allowing them to tap into the estimated \$900 billion and growing demand for food designated as meeting Islamic dietary standards. The group completed the process in just two months and company owners were awarded their certificates at the Novi Sad Agriculture Fair in May. Discussions are underway to open a Halal food shop in Belgrade.
4. **Visual Identity:** 25 middle and top tier companies (13 from South Serbia, 12 from Sandzak) began work on new visual identities and marketing materials. Additionally, the team supported preparation of new exhibition materials for the Sandzak-based food producers and associations attending the Novi Sad Agriculture Fair.
5. **Trade Fairs:** 2 small Prijepolje apparel companies earned \$153,350 in new contracts while attending their first European trade fair, Poland's Poznan Fashion Fair. In this period, Sandzak food producers earned \$141,542 from the Novi Pazar Agriculture Fair while light manufacturers produced \$72,619 in sales from the Belgrade Construction Fair. The six-month sales figures for Albania's 2011 Panair Fair and Moscow's March CPM Fashion Fair totaled just more than \$1.5 million, bringing the total earned by project companies through fairs since 2008 to \$14.1 million and a Return on Investment of 21-to-1.

6. **Trade Missions:** 4 Trade Missions led project-supported companies into 3 EU markets and Russia. Each mission had a specific agenda to discuss one of three specific goals: entering a particular market, establishing permanent presence in the market or securing existing relationships. The mission outcomes were industry sector specific but each valuable. One result was a permanent partnership for market entry, another informed one cluster to target the Russian market and another offered a second cluster insight to recognize the Moscow market was not the right market for firms of their size.

Youth Support Activities

Serbia's slow economic growth and high unemployment continues to disenfranchise the country's youth. Unemployment among 15- to 24-year olds is more than 40 percent – more than double the European average for the same age group – and approaches 70 percent in regions officially designated as “devastated.” USAID investment in Serbian youth takes the long view, integrating youth programming within a larger strategy to see small businesses grow and succeed. In the absence of a coordinated national approach to youth unemployment, the ES program has learned that local strategies can generate successes that can ultimately move from local to national levels. Key to this initial success is finding ways to leverage local resources toward a solution, which in turn lays the foundation for local ownership and ultimately sustainability. From the outset, the program defined economic security for youth as the need for youth to be fully integrated into the economy of Serbia. Years of building stakeholder relationships with and between local and national governments, creating local public-private-civic networks and empowering young people to take responsibility for their personal futures have guided the Economic Security Project to implement entrepreneurship trainings, YEAPs and base business support as its primary activities. Following are the youth support highlights for Semi-Annual Report 13.

YOUTH SUPPORT

\$100,000 budgeted by 19 municipalities to implement YEAP projects that are to start 45 new youth-owned businesses and create 84 new jobs.

19 public and private companies and institutions offer 66 university students from the state University of Novi Pazar their first internship.

66% of Junior Achievement Serbia's fundraising are unrestricted funds that can be used for operations and organizational development rather than earmarked to specific JAS events.

Entrepreneurship Training: 281 youth attended the 2012 ES-designed *Business Planning and Financial Resources for Business* seminars; over four years, the program has directly trained 1,831 youth in the basics of entrepreneurship.

Youth Entrepreneurship Action Plans: 18 of the 19 2012 YEAP municipalities are in the implementation phase of the activity. Results for this period include \$51,000 invested jointly by municipalities and the project in direct financial support to new or existing youth-owned enterprises, 85 new jobs created and 45 start-ups launched.

Independent YEAP Actions: 13 municipalities funded 84 YEAP initiatives, independent of the program that benefited 8,093 youth.

Base Tier Businesses: 6 young light manufacturers from South Serbia were mentored during the Belgrade Construction Fair by the project's larger companies. As a result, four of the six youth-owned companies either made new or strengthened existing relationships with the larger companies in their region, two made a decision to enter a fair on their own next year, one found

a new product to add to its product line and two met new, non-program vendors to purchase quality materials at prices lower than they currently pay to help grow their bottom line.

Career Guidance and Counseling – Sandzak: 66 students from State University of Novi Pazar (SUNP) that opened in April successfully participated in the first internship program sponsored by the new ES-supported Career Counseling Center. 19 local public and private institutions and companies provided internships.

Career Guidance and Counseling – South Serbia: 30 paid internships are being offered by five ES-supported light manufacturers as part of a program to modernize Presevo Technical High School's teaching facility and give students practical experience. 200 students attending the new Bujanovac branch campus for the Economic Faculty of the University of Subotica will have access to full career counseling services through the ES-supported Career Guidance Center to be opened with the support of Bujanovac municipality.

Junior Achievement Serbia: Fundraising is up 67 percent from last school year. Importantly, non-USAID funds have increased 46 percent from a year ago and the all-important unrestricted funds that can be used for organization development and operations now account for 66 percent of JAS total fundraising. This represents a significant growth over last year's 34 percent of funds raised as unrestricted.

The Economic Security Project in the past six months, as it has in previous periods, continues to build the capacities of its mature business partners to support their growth and expansion in the global market as well as to be leaders in Serbia's economic transition to the European Union. Through its youth support activities, Economic Security lays the foundations for communities and their youth to become competitive and responsible for their futures. As the numbers bear out, through the promotion of youth entrepreneurship, expansion of career guidance and internship experience and the linking of South Serbian and Sandzak businesses to the youth and their educational institutions, the project is delivering the tools to individuals, community networks and municipal institutions to achieve these goals.

ECONOMIC SECURITY PROJECT INTRODUCTION

In 2006, Serbia's economy had expanded six years in a row at an average rate of 6 percent a year. The rapid sale of the country's best state-owned companies had attracted more than \$10 billion in foreign direct investment. The financial growth made many positive changes possible in a country eager to make up for a decade of economic, social and institutional deterioration preceding the transition's beginning in 2000. However, the economic benefits and opportunities of an expanding economy had not materialized for most residents, especially youth, during the 2001-06 boom years.

With most top properties sold and absent a political consensus on the direction of macroeconomic policies, it was apparent to observers that the influx of FDI and the economic expansion could not be sustained. Even without the foresight of a global economic crisis, a decline in Serbia's economy was predicted as were the ensuing consequences for the nascent private sector and potentially worsening unemployment among young people who had yet to be incorporated into the workforce.

USAID's Economic Security Project (ES) began in May 2006 with the mandate to help businesses in difficult environments grow and expand into new markets and, at the same time, work with young people to empower them for careers in business. Throughout the report, we discuss the significance of linking the expansion in the private sector as a means for job creation (demand side) and the preparation of young people to enter that private sector either as qualified employees or capable entrepreneurs (supply side). Early on, the ES project learned that Serbia's domestic market was not large enough for its businesses to provide enough jobs to lower youth unemployment. It was recognized that business growth in the form of expansion of existing firms and the addition of new ones could achieve two needs: (1) create the critical mass of jobs needed to influence youth unemployment and (2) support an expanding middle class capable of building consumer demand.

TARGETING SOUTH SERBIA AND SANDZAK: High Risk. High Reward.

The ES project targeted the regions of South Serbia and Sandzak (southwestern Serbia) for its business support services and much of its youth support services. Both regions had high concentrations of minority populations and among the highest unemployment rates in the country, especially among youth where rates were as high as 70 percent in 2007. The regions also had been neglected both before and after the 2000 elections. In South Serbia, most of its state-owned enterprises had gone bankrupt during the 1990s due to the international sanctions; Sandzak's once-thriving textile industry collapsed through poor management of the privatization process.

Despite past disadvantages, the two regions have large numbers of business start-ups, globally competitive wage rates, a relatively young workforce, a growing local population, strong lead sectors (fashion, light manufacturing and food processing) and a highly engaged diaspora which has provided resources for business investment and expansion. Selecting these two economically challenged regions posed high risk but offered a chance for high impact. The idea was to help small companies and communities create incremental improvements that immediately influence their bottom line as they lay the groundwork for new initiatives and sustainable success. The theory has played out repeatedly but an early business example is the opening of two regional export markets for food producer Moravka, growing their revenues from \$123,000 to \$5.9 million in two years, or a youth activity that resulted in 33 municipalities investing nearly \$200,000 in youth employment strategies over three years.

SUCCESS KEYS: Integration, Evaluation, Innovation

Integration: The successes reported in each of the 13 Semi-Annual Reports are the result of the ES project's integration and customization of support. Primarily, the program integrates a step-by-step process for business and youth support, first identifying partners with high potential and folding in the training components to build their capacity and finally, layering in a range of technical support activities identified jointly by the project and partners to best achieve the goals.

But there are three additional integration pillars:

1. The original decision to select companies within specific sectors was made with the understanding that strengthening individual companies raises the entire sector's performance. As the project's companies have trained and traveled together on trade fairs and missions they have gradually coalesced into formal and informal associations that are lifting up a group of businesses which, albeit slowly, lifts the regional economy.
2. It unifies efforts between business and youth. In so doing, it has involved 90 companies in the two regions in internship programs and brought its apparel cluster together with the State University of Novi Pazar to create a modern audio visual laboratory so students gain practical experience creating marketing materials and industrial videos. Its municipal Youth Entrepreneurship Action Plan activity to reduce youth unemployment has engaged businesses to train large numbers of youth and then provide jobs to the top trainees.
3. It brings together business-related institutions such as the Presevo-Bujanovac Economic Development Agency and the Sandzak Economic Development Agency, area educational institutions and professional networks to build an infrastructure that supports business growth, ties education to labor market needs and advocates for a robust private sector.

Evaluation: The project monitors and collects data related to project activities continuously. It tracks six months of trade fairs to determine the value of its investments and routinely collects partner companies' sales, jobs, export, new market and credit use data.

For the past four years the project has provided detailed sales trend analysis of its assisted businesses. In 2012, it expanded its evaluation to include a control group of 129 companies similar in size, sector and geographic region as its own companies. This analysis confirmed that the project's efforts were having a positive impact. The comparison showed ES companies had more than a 41 percentage point growth differential over the control group of companies from 2008 to 2011; the impact of the program's activities in job creation was significant. A total of 263 new jobs were created among the program's companies studied, nearly 10 percent growth since 2009 – the height of the economic crisis – compared to more than a 4 percent loss of jobs among the control group.

On the youth side, for the past four years the project has studied participants in the entrepreneurship training it designed. It has found a 25 percent decrease in the unemployed or student status among the surveyed participants – a third of them started a new business.

Innovation: Through continuous evaluation, the project has learned from its findings and introduced innovative new approaches. The idea of pre-trade fair visits or trade missions introduced in 2010 helped the project better select the best trade fairs to attend, avoid ones in the wrong markets and increase the sales results of those who do attend fairs.

The municipal YEAPs are uniquely innovative because they break with the tradition of policy action emanating from the top down and initiate local responsibility for youth unemployment. The bottom-up solutions have resulted in private companies voluntarily engaging themselves in the activities, a result that would be far more difficult to achieve if mandated by the central government.

EXCEEDING THE TARGETS

The project remains ahead of its performance targets in nearly all instances. New markets are a major contributor to increased sales and 76 project companies have opened one or more new domestic or international markets. Over the years, small South Serbian project-supported companies have opened permanent domestic market presence in Nis, Belgrade and Novi Sad. Newly certified Halal food producers are in negotiations to open a Halal food shop in Belgrade. The ES apparel companies now have a permanent marketing / distribution center in Russia and its shoe cluster is making plans to follow as well. Individually, companies have entered into agreements with non-traditional Serbian trading partners such as Bahrain, Poland, and Germany.

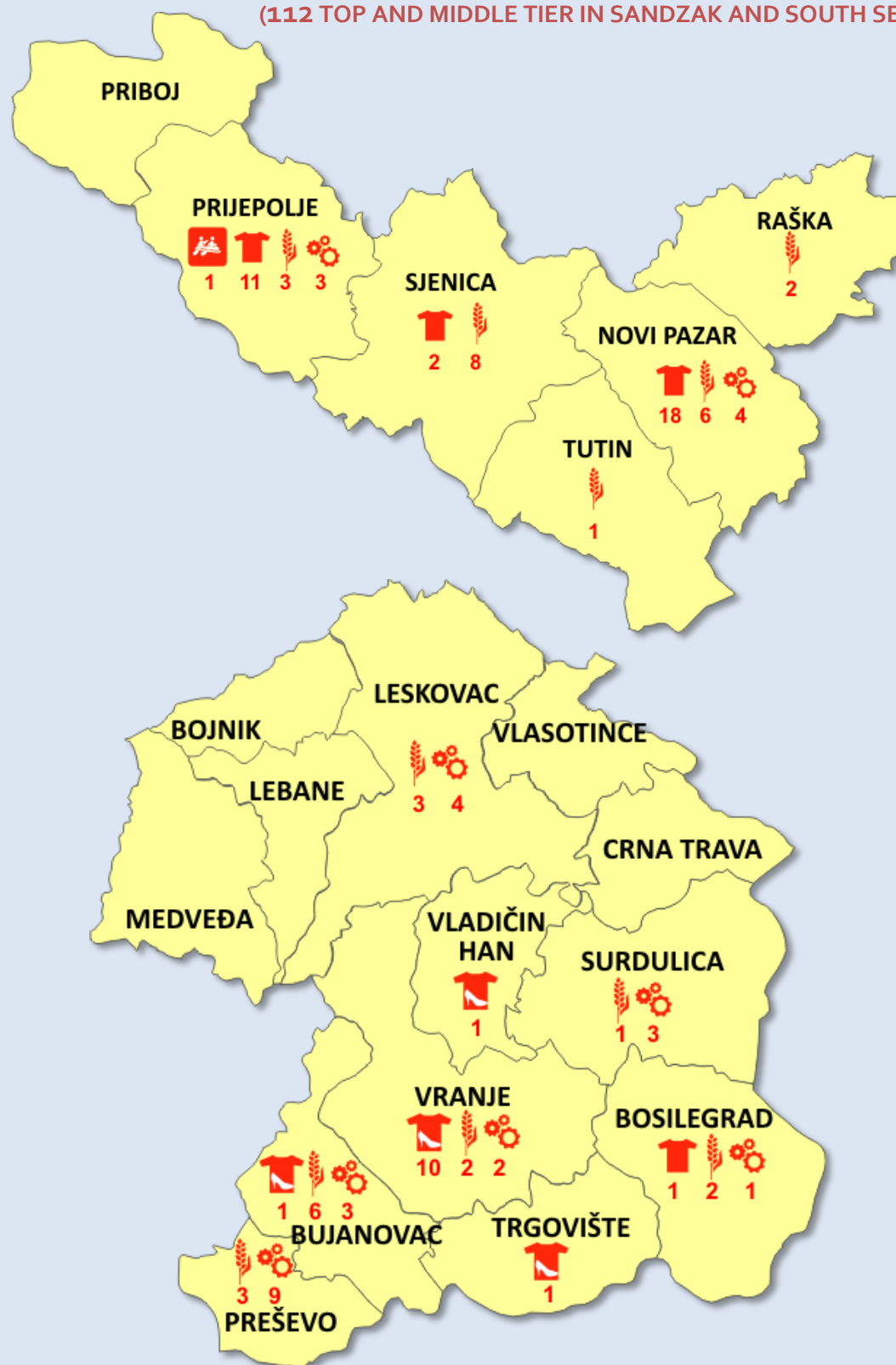
Youth support, too, has moved beyond its targets; in the cases of helping youth find new jobs and start new businesses, targets are being exceeded by more than 100 percent. In the all-important arena of helping youth-owned microenterprises secure financial assistance, the project also is ahead of its targets by nearly 20 percent. It achieves this goal in the face of declining state budgets for business loan subsidies and an 80 percent cut in how much of the funds are targeted to start ups. Additionally, private banks in the market have no specific programs for start-ups and requirements for gross sales and collateral make those programs virtually prohibitive for youth-owned start-ups.

To ensure a larger, more immediate impact on business growth, youth entrepreneurialism and job creation, the Economic Security Project targeted companies and municipalities that were most in need. In achieving business growth, market expansion, increases in youth-owned enterprises and local coalitions taking responsibility for solving youth unemployment, the project provides a model for adoption by other sectors and municipalities. In the longer term, because of the extended linkages with and among local economic development authorities, educational institutions, municipal youth offices and other civic organizations, the improvements should lead to a sustainable and expanding private sector providing consistent job growth.

Business Support

2012 PROGRAM ACTIVE BUSINESS

(112 TOP AND MIDDLE TIER IN SANDZAK AND SOUTH SERBIA)



Apparel
 Food
 Light Manufacturing
 Tourism

BUSINESS SUPPORT INTRODUCTION

Since 2008 the ES program has been supporting businesses in South Serbia and Sandzak through a highly integrated package of assistance designed to increase competitiveness. The project's primary goal has been to help businesses enter new markets and increase sales, which in turn leads to job creation. The assistance package starts with providing training to companies in the areas of marketing, management and sales. Each training leads to the creation of a plan, which the project then helps companies to implement by providing technical assistance. This assistance might include, but is not limited to, help with upgrading marketing materials and a company's visual identity, labeling and branding, obtaining certification standards (e.g., ISO or Halal), new product development, product differentiation or installation of new business process software.

Once a company has built the capacity (operational, management and marketing) to expand, the project supports attendance at domestic and international trade fairs, appropriate to the size of the company and their level of sophistication. This approach has been highly successful with supported companies realizing more than \$14.1 million in new sales through trade fair attendance since 2008. In addition, sales have grown in all three ES-supported sectors and firms have added jobs despite the highly challenging macroeconomic climate, both domestically and abroad, over the past three years.

The program leverages the core industry sectors and residual talent found in each region that was once part of the industrial development plan of the former Republic of Yugoslavia (shoes and light manufacturing in South Serbia and textiles and food producers in Sandzak).

More than 1,000 small and medium enterprises were considered for program participation. Selected firms had to demonstrate a high potential for growth including 18 months of continuous increases in revenues to qualify. The ES methodology is dependent on forming long-term relationships with business owners that buttressed the mutual goals of companies and the project. This work between companies and the program has been demand driven allowing the Economic Security Project to adapt its package of training and technical assistance to the needs of the companies. The demand-driven design also delivered a message of respect and recognition of the company owners' and managers' sense of business survival, if not prowess. The partnerships emanating from this model served to turn ownership of the education and technical support to the companies. It also created an informal but highly useful form of monitoring both the potential next "demands" from companies and opportunities to brainstorm and debrief routinely. Such conversations led to the formation of the ASSTEX textile association or branding Jeans of Serbia to attract larger production contracts.

Integration provides the perfectly formed pieces of the assistance puzzle while monitoring shapes the edge of the puzzle pieces to fit properly. Beyond the informal communications, the program built monitoring into every activity. Managers did not merely attend trainings or start standards certification assistance, they received the skills development for themselves and staff as needed, and spent time at their plants with the ES service providers for continuous assessment and coaching relevant to the activity. Trade fairs sales were tracked and evaluated at three and six months, the value of the project's investment was analyzed and company sales figures reported every year since 2009.

In monitoring the details, the program learned the questions to ask its business partners and from the answers, program innovations resulted. Small food producers in Sandzak sought access to the Islamic dietary market; Halal certification resulted. ASSTEX textiles wanted to know why more could not be done to promote Serbian exports; a formal presentation in July 2010 gathered export specialists from national and international representatives. Three months later, Minister of Economy Mladjan Dinkic traveled to Sandzak to meet with local businesses.

The project's methodology demonstrates the integration of services that can be customized to business demands produces results, even in an economic context that lacks a comprehensive strategy or consensus for a strategic approach. This reporting period covered the months leading up to and immediately after Serbia's general elections in late April. Many businesses were anxious to see what the new government would do to address economic growth. Tax policies have been changed to the benefit of business, two particularly important to small businesses. Removal of the 176 "para-fiscal" or nuisance taxes will save small businesses thousands and small business cash flow is helped by a change in the payment of VAT (value-added tax) from when services or products are invoiced to when they are delivered.



VAT and Corporate Income taxes were increased, placing the country in line with the rates of other European markets, rather than one of Europe's lowest, as it has been for many years. However, nothing was done to address the assortment of employee taxes that total more than 60 percent of wages and a punishing severance regime – two culprits most often cited by businesses as the primary obstacles to new, full-time job creation.

The timing of EU ascension remains uncertain. Negotiations that were to begin this fall are likely postponed until next spring. The two big issues are financial discipline and progress on relations with Kosovo. Lack of agreement within the new government regarding EU expansion challenges the value of EU integration as a key motivator for economic reform.

Whatever the pace of ascension, the Economic Security Project's business partners continue to prepare themselves for their entry into European markets. Earning globally recognized ISO certifications, modernizing production facilities, employing the latest technologies and negotiating with trade partners in target markets make the companies more competitive. Diversity in market sales ensures their growth and protects them from the vagaries of market swings in any single country or region.

BUSINESS Macroeconomic Context

The downward trends of Serbia's economy in the first quarter of 2012 reported in Semi-annual report 12 worsened in the year's second quarter. External opinion leaders, the International Monetary Fund (IMF), Dun & Bradstreet (D&B) and the International Business Monitor identified government policy and spending decisions in the six months leading to pre-election as the culprits in driving public debt, inflation and unemployment rates up while foreign direct investments and new business opening were down². As a consequence, these agencies have downgraded their expectations for the country; the most recent was D&B's dire report moving Serbia from a moderate to a high risk for investors.

The new government organized during the summer months and enacted measures that have slowed the damage but inflation, prime lending rates, joblessness and lack of economic growth will not be within an acceptable "tolerance band" until late 2013 at best, mid-2014 at worst³. The IMF mission team report from the organization's September 10-14 visit to Serbia, however, challenges the new government's assumptions saying the "draft 2012 supplementary budget [which focused almost entirely on the revenue enhancement side of the equation and not the expenditure side] ... would not achieve [their] objectives,"⁴

Serbia has struggled for four straight years. Between 2009 and 2012, GDP has fallen or stagnated. Growing inflation and expansion of debt in 2011 led to the IMF's withdrawal of access to a \$1.3 billion emergency fund and the organization's prediction that the debt will grow to 60 percent of GDP before the end of the year portends its expectation that serious changes will be required for that emergency fund to be re-opened.

Citizens and private industries are the hardest hit in the current economy. Nearly 100,000 jobs have been lost each year since 2009 and it would require a 5 percent growth in GDP to reverse the trend, according to a September Voice of Russia report. Industry is contracting an average of 1.2 percent per month⁵ and average salaries continue to hover at 500 Euros a month for the fifth year in a row⁶ – an amount with far less purchasing power against the double digit inflation rates.

FIGURE 1: SERBIA'S ANNUAL GDP 2009-2012 (PROJECTED)



² IMF: Serbia; IMF Mission Report, Sept. 2012. www.IMF.org; B92.net: Sept. 20, 2012; Business Monitor International, South East Europe, Vol. 19, Issue 9 September 2012

³ National Bank of Serbia, Inflation Report; August 2012

⁴ IMF: Serbia; IMF Mission Report, Sept. 2012

⁵ NBS: Inflation Report, August 2012

⁶ World Bank website: www.worldbank.org/en/country/serbia

The economic condition is taking its toll on the private sector. Serbia had managed to hold its stable credit ratings in each of the past three years; recent downgrades will further erode investor confidence. Already, foreign banks withdrew 1.5 billion Euro from Serbia in the past year, a blow to a country that already has too few capital investment resources. The imbalance between private companies opening to closing continues downward, as reported in the March report. Start-ups in 2011 were 30 percent fewer than in 2008; perhaps of even greater concern is that the number of closures is five times greater in 2011 than in 2008 (13,339 compared to 3,067, respectively). Thus far in 2012, 2,100 more businesses closed than opened.

The bottom line is that the Economic Security team's efforts continue to be implemented against a backdrop of an exceptionally challenging macroeconomic environment. With the election of a new government, it again has a government partner but its economic policy and support to donor and private sector efforts are not yet fully developed. Given this context, the Economic Security Project's focus on businesses and clusters pursuing export-oriented growth, establishing permanent market presence and preparing mature and youth-owned businesses with modern technology and production standards is appropriate and necessary. Furthermore, Serbian companies positioning to leverage the global market's demand for moderately priced goods, reduced transportation costs and flexibility in meeting orders and manufacturing quantity has not changed despite the current economic climate.

Serbia and Key Economic Indicators

Inflation: Serbia's inflation rate through 2011 was ranked the 27th worst among Index Mundi's 221 countries around the world. In March 2012 it was 13% but according to the National Bank's August Inflation Report should average just 3.7% for the second quarter of the year. However, Serbia's Macroeconomic Analyses and Trends Bulletin reported in early September that the inflation rate for the year will be about 10%. An estimate supported by the IMF report anticipates weather-driven food price escalation will drive up inflation in the fourth quarter of 2012 and first quarter of 2013.

Currency: Serbia's dinar stabilized in September up 2.1% from August, but its year-to-year depreciation against the Euro and U.S. dollar has been more than 9% and 6%, respectively. The Bloomberg website reported in September that the Serbian dinar is the fourth-worst currency out of 184 countries just ahead of Ghana, Uganda and the Indian Rupee.

Trade balance: According to the National Bank, in the first half of the year, an import-to-export imbalance of nearly 1 percent existed; in July, the balance reversed, with the value of exports 2% greater than the value of imports. With quarter-to-quarter oscillation in trade figures, projection of the end-of-year balance is difficult. However, a recent analysis of the imbalance in Serbia's trade with Hungary's trade by the V.I.P News Service suggests that the lack "of serious production of goods and new investment (in the Serbian market)" will make it difficult to grow its share of the Hungarian market – production and investment conditions that without correction can be inferred to affect all trade balances in the near term.

Prime Lending Rate: After remaining stable at 9.5 percent between the fourth quarter in 2011 and the first quarter of 2012 is now 13 percent, according to the NBS website.

Unemployment Rate: Unemployment in Serbia has increased by nearly 60 percent since 2008, from 15.6 percent to 24.3 percent as of August 2012 – an average of 100,000 people annually. The increase in unemployment creates demand destruction for consumer goods. At the same time, it increases pressure on the Central Government budget for unemployment and other social benefit payments reducing the ability to make meaningful changes (like lowering payroll taxes) that could make Serbian businesses more competitive.

Timeline of Businesses Support Implementation

Abbreviations: SA – Sandzak; SS – South Serbia; LM – Light Manufacturing; TA – Technical Assistance

■ Technical Assistance ■ Trainings ■ Trade Fairs ■ Trade Missions

ONGOING ACTIVITIES

April - September			
TA	TA	TA	TA
ONGOING	ONGOING	ONGOING	ONGOING
ISO standard certification 8 companies (4 SA, 4 SS)	Management software 8 companies (5 SA, 3 SS)	Marketing Material 46 companies (23 SA, 23 SS)	Access to Funds / Business Plan 13 companies (6 SA, 7 SS)

TIMELINE OF COMPLETED ACTIVITIES

April			
TRAINING	TRAINING	TRADE FAIR	TA
APRIL 2	APRIL 17	APRIL 24-28	APRIL-JUNE
Marketing Training Vranje 14 companies (SS)	Branding Training for Agriculture Fair Sjenica 7 companies (SA)	Belgrade Construction Fair (Serbia) 5 companies (SS) + 6 Youth owned	Halal Certification Belgrade (ceremony) 9 companies (SA)
May June August September			
TRADE FAIR	TRADE MISSION	TRAINING	TRADE FAIR
MAY 12-18	JUNE 4-8	AUGUST 28	SEPTEMBER 5-7
Novi Sad Agriculture Fair (Serbia) 3 companies + 2 food associations (SA)	Moscow Trade Mission (Russia) 6 companies (shoe and LM from SS)	Advanced Negotiation and Sales in advance of Poland Trade Fair 4 textile companies (SA)	Dusseldorf Trade Fair (Germany) 3 shoe companies (SS)
September			
TRADE FAIR	TRADE MISSION	TA	
SEPTEMBER 11-13	SEPTEMBER 9-10	SEPTEMBER end of	
Poznan Fashion and Shoes Fair (Poland) 8 companies (4 shoe SS + 4 textile SA)	Poznan/Warsaw Trade Mission (Poland) 8 companies (4 shoe SS + 4 textile SA)	ISO standard certification 1 company (SS)	

BUSINESS SUPPORT: IMPLEMENTATION

Since FY 2008, the project has trained and/or provided intensive technical assistance for 198 companies in South Serbia and Sandzak. In the intervening six years the project has:

- Delivered business management training to the managers/owners of 120 companies;
- Included 28 of the most advanced companies in the ISO Certification process;
- Helped 9 food producers receive Halal Certification for their food products;
- Supported 70 companies in creating updated visual identities;
- Introduced modern business process management software into 20 companies; and
- Organized trade fair appearances for 74 companies.

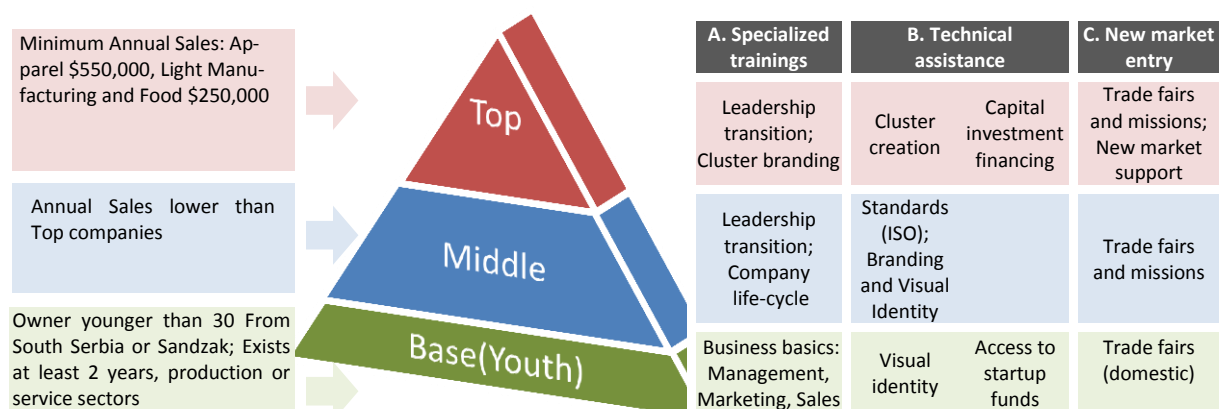
Reporting Period Highlights

This implementation chapter outlines the ongoing activities the business support team is managing and the new ones the team initiated during this reporting period.

Trade Fair Results	<ul style="list-style-type: none"> • Over \$1 million in new sales from trade fairs; (\$705,000 in additional contracts from prior fairs, \$368,511 in fair sales during this reporting period).
International Standards	<ul style="list-style-type: none"> • 8 new companies started adopting ISO 9001 Standards; (4 South Serbia, 4 Sandzak) • 9 Sandzak Food Producers earned Halal certification; 54 new food items among the companies meet Islamic dietary standards.
Computer-Driven Management Software	<ul style="list-style-type: none"> • 8 Companies installing management software to integrate operations, finance and sales and marketing (3 South Serbia, 5 Sandzak); bringing the total to 20 ES-supported companies that are equipped with customized software to make them more efficient, increase productivity and better manage finances.
Branding and Visual Identity	<ul style="list-style-type: none"> • 25 Companies updated brand and visual identity; (13 from South Serbia, 12 from Sandzak.) They join 45 ES-supported companies that have already re-branded and updated marketing materials and online images.
Trade Mission Visits	<ul style="list-style-type: none"> • 4 Trade Missions were led; two were to open new markets in Russia for South Serbian light manufacturers and Poland for Serbian shoes, 1 was to secure Serbia's market position with Italian shoe designers and 1 was to negotiate \$1.5 million in new contracts with German shoe companies.

The Economic Security business support team seeks out the most promising companies in the program's two targeted regions and invites them to participate in activities to help them achieve their potential to the benefit of their companies, employees and local communities.

FIGURE 2: CATEGORY DEFINITIONS AND ASSISTANCE PACKAGES FOR THREE TIERS OF BUSINESSES



The Economic Security team currently delivers its intensive business support package of training and technical assistance to a total of 112 companies (59 Sandzak, 53 South Serbia) in the program's middle and top tiers. The team was methodical in its approach to the selection of companies. It began in 2007 by analyzing 1,000 companies using business information available through Chambers of Commerce and local and regional economic development agencies. In the following 18 months, a total of 141 companies were brought into the program; they came from the sectors of light manufacturing, food production and processing, textile and apparel manufacturing and tourism services⁷. In FY 2012, another 34 companies were invited to join the top and middle tier intensive support activities; 30 are currently participating.

TABLE 1: ES PROJECT INTENSIVELY SUPPORTED COMPANIES BREAKDOWN												
	2007-2011 (Sep)			2011 (Oct) – 2012 (Sep)								
	Previously Supported Companies			Actively Supported Companies from 2007-2011 group			New Companies			Total number of "Active" Companies		
Tier	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SANDZAK	TOTAL	SOUTH SERBIA	SANDZAK	TOTAL
TOP/MIDDLE	55	86	141	37	45	82	16	14	30	53	59	112
BASE (Youth)	4	2	6	3	0	3	13	13	26	16	13	29
Total	59	88	147	40	45	85	29	27	56	69	72	141

Over the past five years, only five of these companies have closed their doors due to larger macroeconomic reasons. This 3 percent business failure rate is significantly below the recent 30 percent⁸ national average failure rate for small businesses. While it illustrates that even carefully screened and selected businesses are not immune to the larger macroeconomic pressures facing Serbia, it also shows how a series of actions tailored to an industry's unique challenges, while addressing specific needs of individual companies, fosters growth in the face of severe economic and policy constraints.

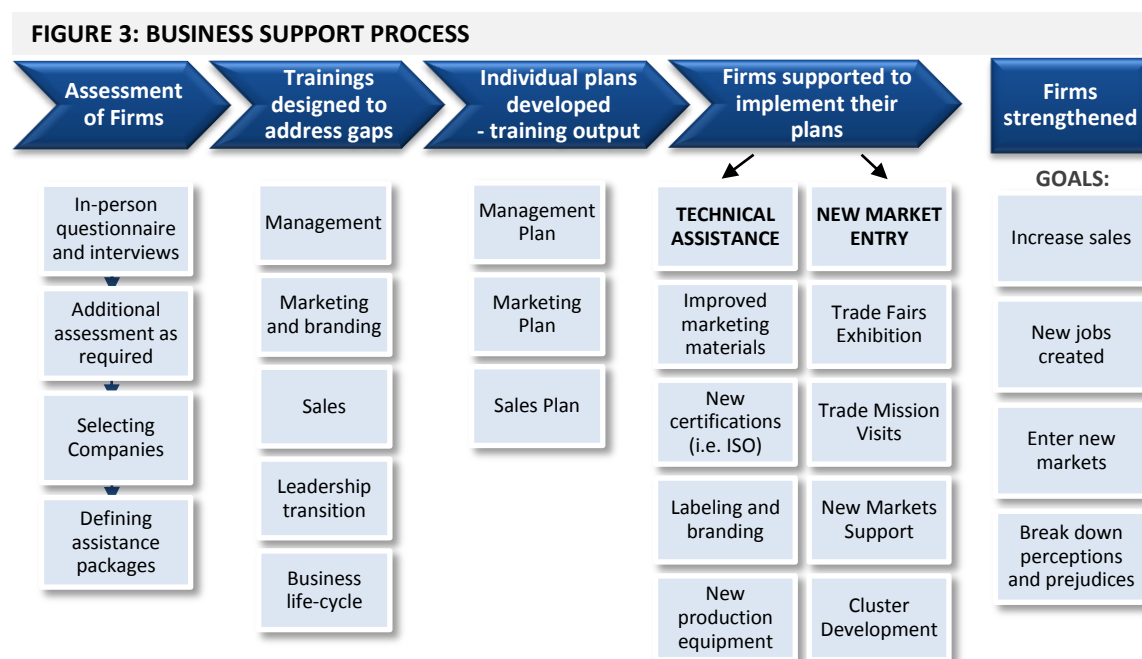
⁷ Tourism was included in Years 1 and 2 of the program, but the work in that sector was completed early in Year 3.

⁸ Business Registration Agency.

The remarkably low attrition rate among the program's business partners is attributable to the ES team's due diligence. Business plans and operational capacities were thoroughly vetted. Companies chosen for participation met three primary criteria: (1) consistent sales growth in the prior 18 months; (2) a strong potential for and interest in expansion, especially in opening new markets and adding new jobs; and (3) were legally registered and paying required taxes.

Based on its research, the Economic Security team developed a set of support activities that could be applied to the individual needs of the companies. The goal was to move companies through the business basics – appropriate business knowledge and strategic plans in management, marketing and sales – to the technical application of competitive market analysis, competitive branding, modern materials, and preparation for and exposure to export markets.

The plan charted a course to lead these companies into new markets, domestic and international, as quickly as possible. At the same time, the approach allowed the flexibility to offer packages of services that helped each company progress according to its resources and capacity.



Business Support activities help individual companies modernize and open new markets. By targeting specific sectors, the program simultaneously improves an entire industry sector which, in turn, helps the regions' economy.

Where appropriate, companies' needs were grouped to train them together. The approach was not only cost effective, but allowed business managers to learn from one another as well as from the professional service provider. It also built networks among the companies within their regions, instituting a culture of cooperation among them.

The Economic Security team has been applying this business development approach for nearly six years, continuously refining and building on lessons learned. In the past six months, ES business support has led new groups of its companies into the upper levels of business management and operations tools and technology. A new group of businesses has undertaken the challenge of computerizing their business operations using sophisticated software solutions. A new collection of companies has entered the ISO certification process and nine food and dairy processors earned Halal certification designating their food products as meeting Islamic dietary standards.

The 30 newest companies brought into the project's work for FY 2012-2013 are starting as the veteran partners did, with the business education that builds successful foundations for growth.

I. TRAININGS: STRENGTHENED BUSINESS SKILLS

The core of the ES Project's customized technical support has always been training. Since 2007, the project has delivered seminars in management, marketing and sales to help companies close their knowledge gaps between what they have learned through trial and error and the methods of modern management. For most of the companies that participated in the ES team's training, it was the first time they have had access to any basic business education. A total of 120 of the project's supported companies participated in one or more of its core courses: management, marketing and sales.

With the addition of 30 new companies to its top and middle tiers, many of them family owned, ES created two new business courses that acknowledged a pressing need of family-owned businesses: leadership transition and life-cycle management. Those seminars were held in the last reporting period between December 2011 and February 2012.

Table 2 provides a list of the five courses and the number of companies from the regions participating in each over the life of the project.

TABLE 2: COMPANIES RECEIVING BUSINESS EDUCATION TRAININGS						
		Management	Marketing	Finance and Sales	Life-cycle Management	Leadership Transition
Top and Middle Tier	South Serbia	29	40	35	12	11
	Sandzak	21	36	28	9	7
Base (Youth)	South Serbia	13	13	12	0	0
	Sandzak	8	3	5	1	0

In this current reporting period, the project did not hold formal business training courses; however, a special one-time training was organized for the four Prijepolje region textile companies in preparation for the Poznan, Poland Fashion Fair. ES service provider ASSEE delivered a day-long seminar in business trade fair presentations, customer communications and trade fair sales and negotiations.

All other business support training was linked to one of three technical assistance activities: production standards certification, computer-driven resource planning or trade mission and fairs preparation, as summarized below.

II. TECHNICAL ASSISTANCE: PREPARING TO EXPORT

A. Computer-Driven Resource Planning

In the past six months, eight companies, three from South Serbia and five from Sandzak, were added to the computer-driven resource planning activity.

Initially launched in 2010, the ES business support team introduced the modern management tool to 12 (six from each region) of its most advanced companies. In the first round of such assistance, ES-service provider *Melany* helped the dozen companies install, manage and maximize the benefit of the software tool technically referred to as Enterprise Resource Planning (ERP) software; it is the same type of integrated software designed and sold by *SAP* and *Oracle* and used by all Fortune 500 companies.

With the use of customized business process software, Serbian companies for the first time can integrate all business functions giving them the ability to better plan and control their raw material supplies, finished product inventories, production line planning, and personnel and finance functions. That helps them to better manage their resources (avoiding under or over ordering production components), better serve regular customers and occasional ones and ensures that they can deliver products to the right place at the right time. To be eligible for this program activity, a supported company already had to be part of the ISO certification support process. The software is a tool that makes it easier for companies to make the management changes required to meet ISO standards; businesses had to invest in both the technology and personnel skills development to build, integrate and manage the data base that drives the software.



1. Computer-Driven Resource Planning: Cohort One Update

All of the first 12 companies (six from each region) introducing the modern resource planning software continue to use it for one or more of their management and production functions. As Table 3 demonstrates, financial management is the most commonly used module. Today, companies have not only simplified and improved bookkeeping and financial reporting procedures but now have access to up-to-the-minute financial analysis and planning data; previously, bookkeeping was most often outsourced and companies received information

monthly or quarterly. Today, nine of the companies use the software to manage all their finances in house. Of the three companies not yet working with the financial module, one has plans to begin the software implementation process in October. Another is using the software to support its production processes; the remaining company is relocating its operations to new facilities and is “off-line” until the move is complete. The remaining two companies are working on other financial issues and have postponed their start-up of the software applications indefinitely.

Three companies, Denis, Maxer and Stilex, have succeeded in using the full capacity of the software and are continuing to work with the service provider (at the companies’ own expense) to further customize their financial and operations management modules. Table 4 defines the primary features and benefits and shows which companies are using each feature.

TABLE 3: COHORT ONE COMPUTER-DRIVEN RESOURCE PLANNING

SOUTH SERBIA	SANDZAK
Celiku-U	Denis (Denistar)
Minex	Menus (Maxers)
Pegasus	Mikan (Bros)
Strela Klajic	Stilex
Termomont	Tri-B (Benneli)
Tobler	Turkovic

TABLE 4: RESOURCE PLANNING SOFTWARE MODULES AND USER COMPANIES: COHORT 1

MODULE	SOFTWARE BENEFITS	USER
Finance & book-keeping	Financial data is the fulcrum for all other modules. It links across the modules to help department heads and senior managers continuously analyze costs, quantities and profits. General ledgers will contain up-to-date financial information as bookkeeping is automatically linked to finance. Managers can expect daily reports from every department, strengthening every aspect of business and financial management. The software also generates all appropriate legal reporting documents.	Denis Celik-U Maxers Mikan Minex Strela Stilex Tri-B Tobler
Operations	Standardizes company operational reporting and communications by creating through forms, reports and analysis unique to individual company and its industry. Forms for purchases and sales, invoices, delivery notices, bids and proposals, and letters of credit, among others are part of the package; companies also can create their own forms. Alerts for “next actions” are provided such as: accounts receivable become accounts paid, stock orders become materials delivered and ultimately stock used to complete orders.	Denis Celik -U Minex Maxers Stilex Tri-B Tobler
Inventory	Maintains accurate, real-time information on raw materials, materials in use for production and wholesale and retail stock. Stock information includes exact purchase and sales price, and quantity of each item currently available. To support analysis and decision making, this software permits a view of wholesale and retail stock available on any given date.	Denis Celik -U Maxers Minex Stilex Tobler Tri-B
Customer Relations Management	Maintains detailed information on each customer, their buying habits, product demands, past and current price and discount structures offered and delivery schedules. The software can track special issues, problem resolution, and changes in staffing or relevant company changes such as new market entry, facility expansion or addition of product lines.	Denis Maxers Minex Tri-B
Human Resource Management	Maintains updates and produces organizational charts and employee structure. It manages wage and benefits, vacation, leave time, and pension and retirement records. It can automatically calculate and prepare all legal documents related to personnel administration whether needed by the employee, the government or for any other purpose.	Denis Maxers Stilex Strela Tobler

2. Computer-Driven Resource Planning: Cohort Two Update

A second cohort of eight companies was included in the activity during the reporting period. The three South Serbian manufacturers are engaged in multiple technical assistance activities to support their growth and introduction into new international markets. The five Sandzak region companies are also ones targeted by the project for ISO standards and visual identity support this year to help lift them to the next level of sales and export potential.

TABLE 5: COHORT TWO COMPUTER-DRIVEN RESOURCE PLANNING

SOUTH SERBIA	SANDZAK
Mladenovic	Classic Jeans
Sanch	Exelit
Stefi Komerc	Goldstar
	Join/Brug
	Night Secret

The ES business support team learned with the first Cohort that the intensity of customizing software to the unique needs of individual companies and the process of integrating the technology with the companies’ existing human resource capacity has proven to be a challenging process. Consequently, technical assistance was purposely planned for the second half of the

year to more closely coincide with the companies' financial year. Starting in the fall, companies can test and run parallel systems for a single quarter and be prepared to transfer from the old to the new system on January 1, the start of the new fiscal year.

Furthermore, the project hired separate firms to work with the companies for each region. South Serbian firms are working with service provider *AB Soft*, which recently completed its assessment of the goals and needs of the four South Serbian companies and presented its customized proposal to the ES Project mid-September. The contract with *AB Soft* is expected to be signed and the gap analysis and training started in early October.

Melany, with its two years of experience with Sandzak's apparel companies, started its work during the summer. The table below outlines the status of its five companies to date.

TABLE 6: SOFTWARE SET-UP STATUS: SANDZAK COHORT	
COMPANY	SET-UP STATUS
Exelit Novi Pazar	<ul style="list-style-type: none"> Introduction to business software logic and its functions. Installation of the computer hardware to operate and manage the software underway. To be completed in October.
Classic Jeans Novi Pazar	<ul style="list-style-type: none"> Introduction to business software logic and its functions. Installation of the computer hardware to operate and manage the software underway. To be completed in October.
Gold Star Prijeopolje	<ul style="list-style-type: none"> Introduction to business software logic and its functions. Installation of the computer hardware to operate and manage the software. Customization software functions for Gold Star to be initiated.
Join Novi Pazar	<ul style="list-style-type: none"> Introduction to business software logic and its functions. Installation of the computer hardware to operate and manage the software underway. To be completed in October.
Night Secret Sjenica	<ul style="list-style-type: none"> Introduction to business software logic and its functions. Installation of the computer hardware to operate and manage the software underway. To be completed in October.

B. International Standards: ISO and Halal

1. ISO – 9001 STANDARDS

NEW COMPANIES: In June, the business support team added a second Cohort of companies to its ISO standards technical assistance activity. A total of eight new companies, four from South Serbia and four from Sandzak, began the certification process.

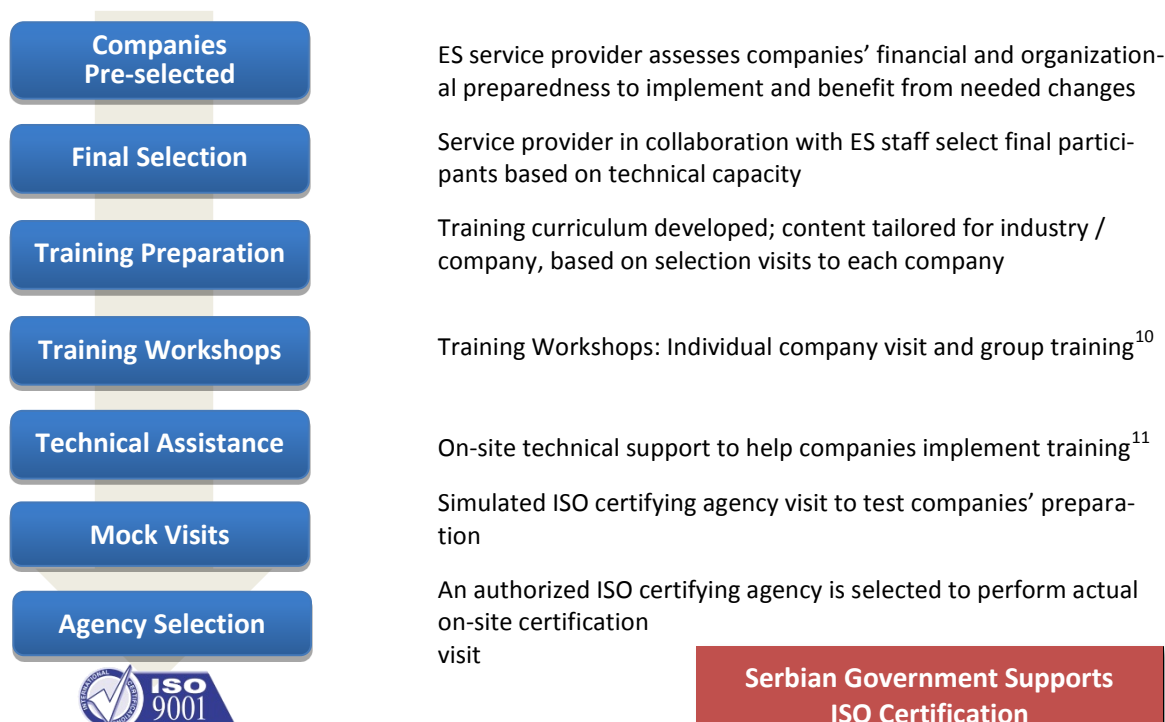
ISO certification informs buyers and sales partners that a company meets international standards in management and operations; it is vital to the ability of Serbian companies to expand export markets. To qualify for participation in the ES project's certification activity, business owners and managers committed to improvements in all core business functions: administrative management, operations and finance. It was necessary for the companies to invest in modernizing and upgrading their facilities, equipment and human resources.

Companies selected to pursue certification are among the

TABLE 7: ISO STANDARDS IMPLEMENTING COMPANIES	
COHORT 1	
SOUTH SERBIA	SANDZAK
Celiku	Classic Jeans
Hiv	Denis Star
Keramika	His (Exact)
Tobler Skele	Join (Brug)
	Menus (Maxers)
	Stig
	Tri B (Benneli)
	SEDA
COHORT 2	
SOUTH SERBIA	SANDZAK
Al-Europa	Exelit
Minex	Night Secret
Sanch	Spid
Stefi Commerc	Utip

project's leading firms and envision competing and succeeding in international markets. They also have the resources to invest in upgrading management and operational facilities as well as in the certification inspection⁹. Figure 4 outlines the project's ISO certification process.

FIGURE 4: ES ISO CERTIFICATION PROCESS



To date, all participating companies have completed the training of their appointed Quality Management Standards staff and are preparing the needed documents for certification. They have received initial input on operations and management procedures from Kragujevac-based service provider, Organic Landscape.

Mock inspections are planned for October. All are expected to complete the process by the end of the year.

⁹ For certification, companies must obtain bids from three ISO certifying bodies. Companies must pay the cost of the certification and/or seek government co-financing. The average cost of the formal certification visit is about \$2,000 (depending on the size and type of company). To help the companies realize cost savings, the ES team organized its supported companies to be prepared for certification in groups so one agency can perform multiple audits in one visit. This made it possible to negotiate a discounted rate of nearly 50 percent for the previous group of businesses.

¹⁰ Training Topics: QMS; Manual, document and record control; Purchasing and maintenance; Design and development; Transport and product preservation; Production and quality planning; Dealing with non-conforming products; Quality policy and objectives; Corrective and preventive measures; Internal audits; Internal audit training.

¹¹ Technical Assistance: Gap analysis; identification and document traceability, including company visit.

COHORT ONE COMPANIES' UPDATE: During 2011, a total of 20 project partners (10 from South Serbia and 9 from Sandzak plus the Sandzak Economic Development Agency) were engaged in the first round of certification activities. In South Serbian, nine of the 10 companies are certified. Celiku continues to resolve and correct manufacturing problems; it has made every indication that it is committed to finishing. From Sandzak, seven of the nine companies plus SEDA from Sandzak have completed. The final two companies from Sandzak that were initially identified for participation in the activity have redirected their near-term financial priorities and are currently unlikely to complete the activity.

2. Halal Certification

Recognizing that the Sandzak region has a market of a half-million Muslims who shop for foods produced by companies possessing Halal certification, the project worked with its food processing companies in the region to help them earn Halal certification¹². The ES team organized the certification process to coincide with the first effort to sponsor a group of Sandzak food producers to work cooperatively and exhibit in May's Novi Sad Agriculture Fair, the largest agricultural fair in South East Europe.

Nine companies participated in the process which mirrored the steps used in the ISO certification activity.

Companies were selected based on their readiness and commitment to making the necessary investments. All nine companies already hold food security, HACCP certifications. Consequently, the team was able to successfully implement the training and companies were able to implement needed changes all within a six-week period between early April and mid-May¹³.

The Economic Security Program's certification support also opens new export opportunities,

TABLE 8: HALAL CERTIFIED COMPANIES BY MUNICIPALITY

COMPANY	MUNICIPALITY
Fass	Sjenica
Giljeva	Sjenica
Lav	Sjenica
Ljin	Novi Pazar
Milkop	Raska
Polimka	Prijepolje
Sandzak komerc	Sjenica
Sjenicka	Sjenica
Zornic	Tutin



May 15, 2012 –Halal certifications were awarded by Halal agency director Mustafa Jusufspahic (center); USAID Mission Director Susan Fritz (third right) attended the ceremony. The new certifications open the \$900 billion Islamic food industry to this group of Serbian agribusiness owners.



¹² Unlike ISO 9001 certification which acknowledges a company has met specific management and production standards, Halal certification is for individual food items. It informs consumers that specific foods were prepared in line with Islamic dietary standards.

¹³ HACCP or Hazard Analysis and Critical Control Points is a management system for food safety; it sets standards for the control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product.

regionally and internationally. The demand for Halal certified foods is estimated to be more than \$900 billion worldwide. Serbia's geographic location coupled with the environmentally unique and pristine growing regions in which the newly certified farmers work, positions them to gain an important share of the Islamic food market. As the program did for its ISO participants, it was able to negotiate significant savings in the cost of implementing the certification activity. The discount the Serbian Halal Certification Agency granted for a group of certifications meant that these small family-owned food producers invested a few hundred dollars compared to the \$4,000 it would have cost them individually. The Halal Agency awarded the certifications to eligible companies at a special ceremony at the Novi Sad Agriculture Fair in May recognizing that 54 individual food items among the group meet Islamic dietary standards.

C. New Marketing Materials

Another cohort of 25 middle and top tier companies (13 from South Serbia, 12 from Sandzak) undertook the new marketing materials technical assistance in the past six months. The Economic Security Project recognized early on that poor quality marketing materials can be an impediment to sales. In this reporting period, the project undertook a third round of its visual identity and marketing materials technical support. It introduced the assistance in 2010 for 24 South Serbian companies. Within six months, 21 additional firms were added to the activity, 20 Sandzak-based firms and 1 South Serbian one.

The business support team will work again with service provider NS Advertising, which has worked with a number of ES-supported companies in the past to upgrade visual designs, catalogs and brochures. As with all of its technical assistance activities, the project anticipates its prior experience will significantly reduce the implementation period. The first new materials round took nearly a year to accommodate all the companies' individual needs; the second round is expected to be completed in just eight months.

In addition, new marketing materials are integral to the launching of cluster exhibitions. Both ASSTEX and Kostana developed materials in the reporting period and exhibition materials were prepared for the Sandzak-based food producers and associations attending the Novi Sad Agri-business Fair.

TABLE 9: FY 2012 MIDDLE AND TOP TIER COMPANIES NEW MARKETING MATERIALS SUPPORT

SOUTH SER	SANDZAK
Alekstra	Exelit
Al-europa	Giljeva
Cipa	Grandtex
Keramika presevo	Ljin
Lotos	Mantije alabeka
M&s	Night secret
Mima	Polimka
Mladenovic	Sandzak komerc
Nimeti	Sjenicanka
Nura	Spid
Roberto ss	Utip
Sin-stil	Zornic
Stefi komerc	

FIGURE 5: NEW VISUAL MATERIALS FOR SANDZAK COMPANIES AND ASSOCIATIONS: BEFORE AND AFTER



D. Business Cluster Update

The Economic Security project's combination of education to improve management skills in core company functions and technical assistance to upgrade and modernize operations and increase productivity has generated more than \$14.1 million in new sales through trade fairs for its supported companies. As the project led its companies to fairs outside the region to open markets in the European Union and Russia, the ES-supported companies, while large by local standards, are still quite small by international standards¹⁴. The companies soon recognized the amount of new business they could handle and the types of new clients they could hope to attract was greater than any one single company could accommodate.

Companies recognized organizing as clusters was an appealing way for them to scale up and increase their competitiveness¹⁵. Coming together the companies had the ability to bid on larger contracts and/or attract buyers looking to place larger quantity orders than individual members would be able to fill alone. It also would help manage the cash flow burden of purchasing the front-end materials because the expense could be spread across several companies. At the same time, economies of scale could be created, improving profit margins as the companies were now negotiating for greater quantities of raw material.

While cluster creation was not a project objective, the rise of clusters represents a natural evolution in the businesses' approach to export markets. As such, the project has provided support for selected clusters as it seemed warranted to further the project's other goals. The project started to support Sandzak's apparel association, ASSTEX, in 2009 and South Serbia's Kostana Shoes, which was created in 2011. In 2012, the project expanded its cluster support to three additional "proto-clusters" – Prijepolje Textiles, Sandzak Foods and Presevo Construction. Table 10 provides a brief description and history of the project's support.

TABLE 10: ECONOMIC PROJECT SUPPORT TO CLUSTERS

CLUSTER	ES PROJECT CLUSTER SUPPORT
ASSTEX Apparel Association, Novi Pazar	The association registered in spring 2009 with 17 members; it now has 135. The project provided TA to individual firms for: ISO 9000 certification, business process software & visual identity. It supported cluster trade fair attendance in Albania (2010&2011), Germany (2010), Poland (2011) and Russia (2009&2012). Joint branding identity "Jeans from Serbia" introduced in 2010. With ES support the cluster established a permanent presence in Poland (2011) and Russia (2012).
KOSTANA SHOES, Vranje	Founded in November 2011 by 12 companies and 2 institutions. Though well known in Italy by major design houses including <i>Louis Vuitton</i> and <i>Moschino</i> , they lacked customer diversity. To build market diversity, the project supported attendance at two trade missions before Dusseldorf's shoe fairs (September 2011 and March 2012). The project provided management training and a common visual identity. Member firms are currently receiving visual identity, standards certification and management software upgrades support.
PRIJEPOLJE TEXTILES, Prijepolje & Sjenica	The firms specialize in niche areas including hotel and home linens, wool wraps and comforters, sportswear, uniforms and socks. In 2008, 17 firms registered an association (The Association of Textile, Leather and Shoe Producers of Prijepolje) advocating for conversion and sale of former state-owned factories where they could co-locate. Joint marketing and new markets was not a priority and ES project support from 2007-2009 was suspended temporarily. Some members joined ASSTEX at the 2010 Dusseldorf fashion fair. In 2012, the project re-engaged, providing selected firms training and TA.

¹⁴ The average ES-supported firm employed 37 workers in 2011. The range in 2011 was from 1 worker to 150 workers. The median was 23 workers.

¹⁵ Clusters are groups of interconnected businesses and associated institutions in a particular sector or subsector that are formed largely to help members improve productivity and competitiveness.

CLUSTER	ES PROJECT CLUSTER SUPPORT
HALAL FOODS, Golija and Kopaonik Mountain regions	Most of the companies are part of the ES program's 2011 new businesses expansion. A few, such as Milkop, had received technical assistance previously. Late last year, firms participated in basic management, marketing, sales and company life cycle training. Since then they participated in branding training; nine of the firms received support with Halal certification for 54 food products. The latter two were part of the group's preparation for a joint exhibition at the Novi Sad Agriculture Fair in May. These same firms are currently pursuing formal registration as a cluster and potential joint entry in the Belgrade retail market.
PRESEVO CONSTRUCTION, Presevo and Budjanovac	The ES project has worked with the sector since 2007. Companies received management, marketing and sales training; some received new visual identities and ISO 9000 certification support. The most advanced attended the Belgrade Construction Fair (2009, 2010, 2011&2012), the Pristina Construction Fair (2011) and a trade mission to Moscow (June 2012). While earning \$5 million in new sales, the companies have collaborated on joint bids, public procurements, material purchasing and sharing distribution networks. Some of the firms are also long-term partners of Presevo's technical high school and have committed to providing 30 students annually internships with their companies. However, the firms are not yet formally associated.

During this period, the project provided the following training and/or technical support to each cluster.

ASSTEX: ASSTEX opened its permanent showroom in Moscow and is focused on building that market over the near term. The project's major effort the past six months was to support the cluster with marketing and promotion for the fall CPM Moscow Fashion Show; demonstrating successful transference of responsibility from external support to company investment for trade fair appearance. Accordingly, the travel, exhibition organization and expenses for the September 2012 Moscow fair were all managed by ASSTEX members.

KOSTANA: Supported and organized cluster's presence at one trade fair (Poland in September) and three trade missions – Moscow and Italy in June and Poland in September. Launched branding training, ISO 9000 certification, installation of business process software, and provided assistance with Development Fund of Serbia applications for capital investments in selected companies.

PRIJEPOLJE TEXTILES: Delivered training on presentation, sales and negotiation skills for trade fairs in preparation of the member companies' exhibition at the Poznan, Poland, Fashion Fair. In addition, two firms are receiving support to install business process software and one firm is being helped to submit a Development Fund application.

HALAL FOODS: The project provided technical assistance for a group of food and dairy producers to attend the Novi Sad Agribusiness Fair in May. Creation of a visual identity and the Halal certification process for nine member companies were part of the preparation for the fair. Supported as a proto-cluster, the companies all share an interest in continued joint exhibitions, pursuit of premium prices for their goods and in pursuing geographical origin protection for names and brands they believe originated from Sandzak that are currently being infringed. An unexpected but important result of the companies' first trade fair experience together is a decision by several of them to pursue the formal process to register as a cluster¹⁶.

¹⁶ Clusters were formally defined by the Government of Serbia as a specific type of association through a law adopted in 2009. By law, clusters must be comprised of a minimum of three entities and include a local or regional development agency. The inclusion of a local educational institution is strongly recommended.

PRESEVO CONSTRUCTION: In addition to leading several members in the joint trade mission to test the potential of the Russian market, the project organized factory tours for two buyers in August and a second trip for representatives from two additional Russian companies is being planned for October or November to see ES' four largest companies – Tobler, Celiku, Zeniti and Nura.

The project is wrapping up a workforce development activity in partnership with the Municipality of Presevo and its technical high school. The activity has already upgraded the school's workshop so equipment is compatible with that currently used by the private sector and the Ministry of Education has approved the new curriculum supporting the work-study program. Five member companies – Tobler, Ziniti, Nura, Celiku and Xeni-plast – have committed to provide 30 internships per year for students in their final year of studies.

Future Plans

The ES business support team intends to conduct strategic planning sessions with each cluster to plot their next organizational steps, target markets and market entry actions, elevation of capacity for member firms, member recruitment and advocacy. In addition to the planning session, the project is preparing a training course in advocacy to support clusters' need to better interact with all levels of government. A two-day training is to be delivered in December on this topic.

Currently, the business support team is organizing an event during Belgrade's November Fashion Week for the three fashion-related clusters: ASSTEX and Prijepolje apparel clusters along with Kostana shoes. The event will promote interaction between the clusters and relevant central government ministries and agencies. An event organized by ASSTEX in June 2010 drew attention from both the Serbian national government as well as representatives from countries with embassies in Belgrade. From that first event the doors to the cluster's entrance to Poland and Russia were opened and eventually realized.

III. EXPANDING SALES AND ENTERING NEW MARKETS: TRADE FAIRS AND TRADE MISSIONS

The Economic Support Project took 21 apparel companies to the 48th Belgrade International Fashion Fair in 2007. This first fair activity for the project grossed nearly \$400,000 for its companies and delivered a 39-to-1 return on investment for the ES project. Five years and 27 fairs later, \$14.1 million in sales have been generated for 74 individual companies for an accumulated ROI of 21-to-1.

In this period, negotiations from three fairs, two domestic (Belgrade Construction Fair, Novi Sad Agribusiness Fair) and one international (Poznan Fashion Show), generated \$368,511 in new sales; another \$402,489 is in active negotiations awaiting decisions or additional actions such as buyers selecting product from samples, companies securing export paperwork and new partnerships being formalized. The six-month updates from ASSTEX's trip to Moscow's CPM Fashion Show reveal that \$820,000 of work has been completed to date, slightly exceeding original expectations by \$20,000. Albania's Panair Fair after six months has generated \$725,250 for its participants, under the immediate after-fair estimates by \$60,000. Well beyond the project's six month tracking of its trade fair results, new revenues for ES-supported companies will come from their participation in the Moscow and Albania fairs as one or more of the participants concluded arrangements on a permanent market presence.

In addition, four trade missions (Italy, Russia, Germany and Poland), were led. The missions' goals were varied. Some were preparation for upcoming fairs, others were to expand presence in recently opened markets and another was to strengthen long-term market relationships. Table 11 highlights the trade missions and fair in which ES companies participated and their respective key results.



2012 Belgrade Construction Fair

TABLE 11: ES PROGRAM – SUPPORTED TRADE FAIRS

TRADE FAIR	INDUSTRY/REGION	KEY RESULTS
Belgrade Construction Fair April 24-28	Light Manufacturers, South Serbia	Tobler expanded major Serbian contract with international paint manufacturer to deliver services in Bosnia and Montenegro doubling the value of the current contract Celiku won contract to provide windows for Nis hospital
Novi Sad Agribusiness Fair May 12-18	Food and Dairy producers, Sandzak	Newly Halal-certified farmers met with economic representatives of four countries with large Muslim populations to discuss export opportunities Began talks to open specialty shop in Belgrade for Halal- certified foods Sandzak-region Halal producers decided to register as a cluster
Poland September 9-10	Apparel, Sandzak (municipalities of Prijepolje and Sjenica)	First joint exhibits branded as Serbian Fashions uniting Sandzak apparel sector with South Serbia's shoe industry \$153,350 in immediate contracts for a group of small, Sandzak-based textile companies that entered first export trade fair – work on orders has already begun.
	Kostana Shoe cluster	\$140,000 in immediate sales for Kostana Shoe cluster members

TRADE MISSIONS	INDUSTRY/REGION	KEY RESULTS
Moscow, Russia June 4-8	Light Manufacturers, South Serbia	Project and its companies are canceling plans to attend next Moscow trade fair; mission showed the market is not a match for ES-supported companies.
	Kostana Shoe cluster, South Serbia	Two Russian buyers toured Kostana members' plants in Vranje. Serbian companies have sent samples; negotiations underway.
Riva de Garda, Italy June 16-19	Kostana Shoe cluster, South Serbia	Customer service mission to ensure long-term business relationship between Italian designers and Serbian-owned companies is not jeopardized if Italian manufacturer Geox locates a plant in South Serbia.
Dusseldorf, Germany September 5-7	Kostana Shoe cluster, South Serbia	German government consultant successfully arranged for Vranje shoe manufacturers to meet with the CEO of 14 major companies. Critical next step in opening German market to Serbian companies.
Warsaw & Lodz, Poland September 11-13	Apparel, Sandzak (municipalities of Prijepolje and Sjenica)	Smaller textile companies re-established efforts to promote Serbian textiles and apparel after being set aside as ASSTEX members focused on Russian market. Clear evidence that Poland is an appropriate partner for Serbia's textile companies; positive market impression and brand identity remains from the 2011 Serbian apparel introduction.
	Kostana Shoe cluster	HIV company negotiated partnership for permanent presence in Poland.
TRADE FAIR UPDATES		
Moscow, Russia CPM Fashion Fair	ASSTEX apparel, Novi Pazar	ASSTEX companies paid own way to Russia's fall fashion show. The 195 buyers visiting the exhibition was nearly triple that of the winter show.
Tirana, Albania Panair Fair	ASSTEX, Tobler & Fluidi drink producer	The six-month sales figures of \$725,250 are nearly double the \$375,000 three-month figures.

A. Trade Fairs and Trade Missions April – September 2012

Belgrade
Construction Fair
April 24-28

Light Manufacturer Companies from South Serbia (5):
Celiku, Dekor M&V, Drvo dekor, Tobler, Termomont,
+ Youth Businesses from South Serbia



Five light manufacturers, Tobler, Celiku, Termomont, Dekor M&V and Drvo-dekor, exhibited at the 2012 Belgrade Construction Fair, which has been among the largest revenue producers: ES-supported companies achieved \$4.5 million in new sales revenue from 2009-2011, delivering an average return on investment (ROI) of 60-to-1.

The project has used this fair, the largest and most important of its type in the Balkans, as the growth vehicle for a group of South Serbia and Sandzak light manufacturers that had the potential for significant growth. Several had won grants during the project's 2008 Business Plan Competition. Of this year's participants, Tobler, Celiku and Termomont have attended four times, Dekor M&V three times and Drvo-dekor twice.



Mission Director Susan Fritz at Drvo-Dekor's stand

Unlike other fairs where the project typically takes different groups of companies, the Belgrade Fair is a "must attend" if companies are to be considered major players in the region's construction industry. The transformation of the project's companies like Tobler, Celiku and Termomont from small, mostly family-operated firms to companies with contracts within and beyond the CEFTA partners confirms the benefit of the strategy for the project's light manufacturers and Belgrade's construction fair.

This strategy also accounts for the deceiving results reported on the ROI table. It appears that the project's return on the fair has declined each year. To the contrary, there are two unique factors affecting the project's six-month tracking of fair sales. First, the nature of the construction industry is to arrange subcontractors for projects planned to start well into the future; for ongoing projects, contractors of different crafts join projects at different times. In either circumstance, the true value of a contract may not be known well until the annual sales data is collected. For example, in 2009, the project introduced the small firms to the region's major construction buyers, investors and supported companies. Immediate after-fair sales totaled just \$92,000; but construction contractors join projects at different times so it took months before the total value of each contract could be tracked and accounted for – the total was \$3.6 million and delivered a 145-to-1 return on investment (ROI).

The second influence of this fair on the ROI is that it only records brand new contracts. In other words, renewing an existing contract is not counted as immediate after-fair sales. As an example, scaffolding contractor Tobler has renewed a contract three years in a row with a major paint manufacturer. At the 2012 fair, that contract was extended again but this time the contract was expanded to include services in Bosnia and Montenegro. The work will not begin until the winter months, a period that used to be its slow season. As the services are a promotion used by the paint contractor to offer free scaffolding for high-volume purchasers, the total value of the work will not be known until all services are provided. Thus, final numbers for the contract cannot be calculated as part of the six month tracking. Celiku, too, won an important contract to install windows for the Nis hospital but final budgets and work will not begin until later this year. The value of this contract is, therefore, not included in the current ROI.



The Novi Sad Agribusiness Fair also is the largest in its category in Southeast Europe. The project organized three food companies (Zornic, Milkop and Giljeva) and two associations (Pester Food Association and the Cheese Association of Sjenicki Sir) as an initial effort to create a Sandzak region food cluster promoting the unique meat and dairy products from the regions of the Pester, Golija and Kopaonik mountains. New visual identity for the group was designed and participants prepared in presentation and negotiations in advance of the fair.



Mission Director Susan Fritz meets Giljeva's owner Fuad Hrnjak at Novi Sad Agricultural Fair

Negotiations for a total \$489,000 in sales were opened during the fair; to date, just over \$142,000 in contracts have been signed by Milkop and Giljeva. The majority of sales are for exports to Montenegro and Croatia. But Milkop is working with a Slovakian buyer to sell a full line of branded products in that country. The conclusion of that sale is dependent upon Milkop obtaining a license to sell in the EU – a difficult and time-consuming process in Serbia. Zornic Dairy is in ongoing discussions with a Russian buyer. This, too, is delayed. The small family farms from which Zornic sources its product do not have the capacity to produce the quantity demanded by Zornic's potential partner, especially during winter months when the farmers use milk for their personal dairy needs. Major buyers from Slovakia and Russia also demonstrated interest in the food producers; Zornic is looking for alternative sources for raw milk to leverage this contract. Thus, at the present time, the ROI for this fair is 6-to-1 after three months of sales figures. Through the fair, the group recognized the potential demand for products made in their unique region as well as their firms' developmental needs and those of their suppliers to deliver ample goods on a consistent basis. Consequently, they decided to work together to pursue a formal cluster that can represent their products and tackle their collective needs.

Midway through the fair, on May 15, the project arranged an official awards ceremony for the nine supported companies that had successfully earned Halal certification. Through USAID's efforts, diplomats from Indonesia, Turkey, Kuwait and Azerbaijan, along with Mission Director Susan Fritz, attended the fair that day to open discussions between these countries with large Muslim populations and the newly certified firms.



Lav Dairy receives Halal Certification from Mustafa Jusufspahic (left) director of Halal Certification Agency and Mission Director Susan Fritz (right).

Since the fair, Milkop has entered negotiations with a buyer from Libya to export several of its Halal-certified food products.

Additional new ground may be broken as a result of the organization of this unique food cluster. With the support of Mufti Jusufspahic, head of the Serbian Halal Certification Agency, the Economic Security Project is working to secure space to open the first Halal food store in Serbia. Located in Belgrade, it would be a domestic outlet for the program's certified producers and generate greater demand and larger markets for their products.

Poznan POLAND
Fashion and Shoes
Fair, September 9-10

Shoe companies from South Serbia (4):
Roberto SS, Minex, HIV and Stefi Komerc;
Apparel companies from Sandzak (4): *Exelit, Gold
Star, Night Secret and Spid.*



TRADE FAIR: Four South Serbian shoe manufacturers, Stefi Komerc, Roberto SS, Minex, LM and HIV, traveled with four Sandzak region apparel companies, Gold Star, Exelit, Night Secret and Spid, to Poland's premier fashion, shoe and accessory fair in early September. The fair represented the first opportunity for the two ES-supported fashion sectors to exhibit the country's design, quality and value in a single show.

Poland is targeted as an emerging market opportunity for Serbian apparel and shoe manufacturers.

Apparel manufacturers: This was the first international fair for the apparel exhibitors. These smaller companies from Prijepolje and Sjenica are active in the program's quality standards, visual identity and computer-based management software technical assistance to make them more competitive in the international market. The immediate after-fair results were encouraging for this group: Exelit received a \$54,000 order from a Polish company for 6,000 pieces of kid's jeans and a second order from an Italian firm for 4,000 pieces totaling \$72,850. In addition, Gold Star negotiated a contract for 2,000 units valued at \$26,500 to produce immediate after-fair sales of \$153,350, resulting in an ROI of 4-to-1 for the project.

These are important new contracts for this group of small apparel manufacturers. Their work is largely dependent on domestic partners and the only consistent export partners are in former Yugoslavian countries (Bosnia, Montenegro, and Slovenia). Poland represents a significant step toward market diversification. Participation in the fair also attracted interest for these companies from buyers representing the countries of Estonia, Norway, Italy, Russia and Czech Republic.

Shoe manufacturers: This was the first trip to Poland for members of the now well-traveled Kostana Shoe cluster. Benefitting from their apparel partners' two years of branding and marketing experience, South Serbia's shoe manufacturers also opened new doors. The immediate results are \$40,000 in current contract negotiations with the potential for \$100,000 in new business for 2013. The HIV company completed arrangements for a sales representative in Poland; representatives from Russia were particularly interested in the original shoe designs and outsourcing partnership potential with companies Stefi Komerc, Roberto and Minex.



Moscow, RUSSIA
Trade Mission
June 4-8

Shoe Companies (3): *Roberto SS, Stefi Komerc and Sanch*
Light manufacturers (4), *Nura, Tobler, Metal VM (subsidiary of Fluidi Juices) and Vlora Comm* all from South Serbia



Light manufacturers: Moscow's Build Expo fair provided the opportunity for the project to continue efforts to open new markets and identify new opportunities for its light manufacturers, one of the country's hardest-hit sectors in the economic downturn. The size and economic diversity of the Russian market made it a logical destination. Furthermore, the project has organized trade missions around a target market's fair; it provides the opportunity to meet a large number of potential partners in a single location in a condensed time frame. Fairs are excellent places for Serbian owners to research market and industry trends making them cost effective on a multitude of levels.

The four South Serbian light manufacturers held one-on-one meetings with 20 potential business partners. Two of the companies, Nura and Tobler, entered discussions to open new market opportunities: Nura attracted interest from buyers in Switzerland, Austria and Germany while Tobler is negotiating a deal with a Russian partner.

The lesson learned from the mission, though, is that Russian buyers are looking for "turnkey" partners – ones large enough to handle entire construction jobs. Serbia's companies are more specialized and much smaller than the Russian market demands. Based on this information, the project will not take this business sector to a Moscow fair planned for next spring.

Greater opportunity for Serbian manufacturers exists in the south of Russia where a "mini" construction boom is underway and the projects are more in line with the capacity and capabilities of ES-supported companies. It became clear that the market entry point for South Serbian construction companies is as subcontractors for the larger prime contractors. The project's firms, while large for the region, are too small at this time to manage the size of contracts in Russia on their own. The cluster members decided there is no need to enter the bidding process for major projects but to build relationships with the companies that can.

Tobler is the first of the group to reach out to potential partners; it has opened conversations to subcontract for a project in Russia's Black Sea region.

In the longer term, the ES program is working with each sector to support a strategic planning process to help them design the next marketing and development steps. A strategy to access the potential of Russia's southern regions will be a top priority.

Shoe manufacturers: The Kostana shoe cluster plans mirror the experience of ASSTEX. It wants to open a permanent location in Moscow to display and distribute fashions. The four shoe manufacturers held 14 meetings and their results were encouraging. Four Russian companies showed particular interest; two traveled to Vranje in August to tour the shoe manufacturers' operations. Kostana companies are working through two issues with these Russian partners: (1) the contracts would be for large quantities; thus, collaboration across the Serbian companies is essential to closing the deal; and (2) delivery of samples of shoes using materials and construction technology appropriate for Russia's severe weather.

Kostana has engaged two Russian consultants to help it navigate the market and complete plans to open a permanent location. Learning from the ASSTEX experience, the cluster members have agreed to finance the venture with company resources. They are neither expecting nor pursuing government support.¹⁷



¹⁷ Details of ASSTEX's troubled negotiations with SIEPA were reported in SAR #12, page 49.

Riva de Garda, ITALY
Trade Mission
June 16-19

Shoe Companies from South Serbia (4):
Minex, Mladenovic, Sin-Stil, Stefi Komerc



Export relationships between Serbian shoe manufacturers and Italian designers are part of the Yugoslavian tradition. In fact, prior to the project's work to diversify their markets, many of the supported shoe companies' sole export partner was Italy. In recent weeks, the new government has re-engaged in discussions with famous Italian shoe manufacturer *GEOX* to open a production facility in South Serbia – possibly Vranje. The thinking is that Vranje – home of the now-defunct state-owned enterprise (SOE) for whom the Kostana cluster took its name – had once employed 4,000 workers from area.

Should this prospect become reality, it poses a serious risk to the project's companies. Nearly a decade has passed since the SOE's closing; the small shoe manufacturers working with the project have created jobs for nearly 3,000 workers. They constitute the best and most experienced professionals in the region and will be of prime interest to a foreign direct investor entering the country with a package of tax incentives.

The mission organized 20 meetings with Italian owners and CEOs to negotiate for additional contracts and to secure their position with the country's top designers and manufacturers that use the Serbian companies in subcontracting relationships. No immediate sales were concluded at this time as the Italian owners, experiencing low growth at home and throughout the EU, had no plans to expand beyond existing contracts.

Dusseldorf, GERMANY
Trade Mission
September 5-7

Shoe Companies from South Serbia (3):
Minex, Mladenovic, Stefi Komerc



This trade mission is a case study in both the value of the mission visit activity and in the steps required for manufacturers to open a new export market. After a remarkable showing at their first international trade fair as a cluster during Dusseldorf's GSD shoe fair in March, the cluster has been working with the German buyers to meet all the standards required by the companies and the country's governmental standards.

The buyers that opened talks for a \$1.5 million contract in outsourced and original brand products are anxious to establish the relationship with Serbian shoe manufacturers. As the project has helped both the shoe and apparel companies market, it has learned that proximity, quality, price and flexibility to manage orders viewed by the German buyers are reasons to transfer to Serbia the work currently contracted to China. The ES business support team has become expert in the due diligence process of the purchasing companies and bureaucratic requirements of the export countries. The ES technical assistance activities are targeted to helping the companies achieve the capacity and capability to meet the standards and requirements.

The companies received a number of visits from German technical experts. Following those spring visits, a German Chamber of Commerce consultant was sent to Vranje to observe and work with the companies for the entire month of July. The consultant provided immeasurable support to the companies helping them re-organize processes and elevate employee understanding of the German market. Minex in particular got a head start on reshaping its administration and operation to qualify for the ISO certification the project is helping it earn.



After fulfilling or surpassing management and production standards, the consultant helped the companies prepare for the trade mission and set up 14 face-to-face meetings with the CEOs of German shoe companies. Based on those meetings, Kostana companies expect the first contracts with German manufacturers to start late this year. The \$1.5 million in contracts from March are expected to be realized in 2013; however, commitments beyond the initial contracts cannot be predicted. The CEOs informed the Serbian owners that they were moving cautiously in this economic environment and, in the short term, would not project how much work would be available going forward.

POLAND
Trade Mission
September 11-13

Shoe companies from South Serbia (4):
Stefi Komerc, Roberto SS, Minex and HIV;
Apparel companies from Sandzak (4):
Gold Star, Exelit, Night Secret and Spid.



The ES business support team incorporated a trade mission to maximize the program's investment in the Poznan fair. In the two days before the fair, the apparel and shoe manufacturers traveled to Warsaw and Lodz and met with economic advisers from the Serbian embassy and Polish Chamber of Commerce. They each had between six and eight meetings with potential partners in their industry sectors. Interestingly, the two cluster groups gained information that led them to two entirely different conclusions.

Prijepolje Apparel: When the Sandzak textile association, ASSTEX, was introduced to Poland as a potential market in 2010, the group saw the potential during its trade mission and Poznan's 2010 Fashion Show. ASSTEX members concluded a deal with a local partner to permanently represent their products to buyers in Poland. Plans to build a strong market presence for ASSTEX members were put on hold when the ASSTEX group decided to redirect its investment and efforts to Russia.

The idea to tap into Poland's potential as a market for Serbian textiles, however, was not abandoned by the ES project. Renewed efforts in 2012 to strengthen the small firms in Prijepolje's textile cluster offered an opportunity to return to Poland for the Fashion, Shoe and Accessory Fair and, as this report highlights, initial results are strong.

The trade mission meetings revitalized relationships with its local sales representative. The group also found that the initial market entry efforts by ASSTEX had left a good impression so the road to name recognition and knowledge of Serbian apparels will not be as long or expensive as it had been for ASSTEX.

In addition, since the Prijepolje companies target outsourced contracts, there is no need for a permanent showroom or fashion brand promotions. The group completed the mission trip with plans to leverage a successful fair into the companies' entrée and to continue to develop the market. In doing so, when ASSTEX is prepared to re-invest in the market, no ground will have been lost.

KOSTANA: The Polish market is less ideal for the Kostana cluster. There are few designers or manufacturers in the country; Russia fuels their shoe market there. This knowledge confirmed an idea the cluster manufacturers had nurtured since their mission to Moscow in June – Russia is the market to target with their original fashions. The group plans to open a store and distribution center in Moscow. As with the ASSTEX cluster, the key to success in Russia is to have a local facility where retail and wholesale buyers can inspect the fashion and quality of the product.

Working with the group to help them plan their next steps to create a permanent presence for their original shoe designs in Russia will be a prime topic as the ES project supports a near-term strategic planning session for the cluster.

B. Trade Fair Updates

Moscow CPM Fair,
RUSSIA
March 2012

JEANS FROM SERBIA
and ASSTEX Association



Sandzak's ASSTEX textile association continues to secure a share of the Russian market. During this reporting period, the manufacturers completed the \$800,000 worth of work they contracted during the March trade fair; in fact, they exceeded the initial estimates by a small margin, producing \$820,000 of apparel for the Russian buyers. The return on investment from the fair has come in at 18-to-1.

In September, the ASSTEX cluster delivered some of the project's strongest evidence that the business support activities are producing the sustainable results planned. The Novi Pazar-based manufacturers underwriting the Moscow showroom and distribution center fully funded the expenses related to attending the fall CPM Fashion Fair. Proudly displaying their spring 2013 fashion designs, the Serbian apparel producers attracted 195 buyers to their booth, nearly three times the attention received in March.

Forced to use company resources to fund the permanent showroom when Serbian government support fell through, ASSTEX members have committed to another year of funding the project on their own. Sales in Moscow are growing but the overhead is a burden on net profits. Though the participating manufacturers are on track to produce and sell 60,000 units per year, the break-even point is just a little less (50,000 units). The group has decided to look for a less expensive facility or find a partner with whom it can share retail space so as to decrease their overhead costs going forward.

The program delivered marketing and promotion support to ASSTEX for this show. But the fact that it was led by the participating companies demonstrates the transition from program support to acceptance of company responsibility for marketing; market expansion investments demonstrate the growth achieved by these companies both in management understanding and sales to support such investments. The willingness to risk company profits on their companies' ability to secure a strong market share in Russia signals a confidence that their diversity of markets, growing brand reputation and management abilities will allow them to succeed even in the face of Serbia's challenging economic conditions.

PANAIR Fair
Tirana, ALBANIA

Juice Producer: *Fluidi*
Light manufacturer: *Tobler skele*
Apparel manufacturer: *Stig, Mikan, Join, Gold Star, Stilex*



This was the project's second trip to Albania's largest general fair, Panair. The ES business support team took representatives of ASSTEX, Tobler from its light manufacturers and Fluidi, a fast-growing food processing company. The three-month, \$375,000 post-fair sales nearly doubled for the six-month fair sales report which came in at \$725,250. All companies attending the 2011 Albania PANAIR Fair enjoyed new contracts resulting in a strong 17-to-1 return on the project's investments.

ASSTEX members have been working for nearly two years to locate a permanent show room in Albania's capital city and along the way they have solved several problems such as local government regulations, understanding the best locations to set up a show room and how to display apparel to attract Albanian buyers. However, the association has not found the right combination of place, Albanian sales partner and cost to open the planned facility.

Several representatives of ASSTEX plan to travel to Tirana in November to meet with its buyers to maintain the relationships established. The project has offered to help with some marketing support if the group prepared a list of all retail jeans buyers so communications could be appropriately targeted. Recently, the group completed a data base of 460 buyers in and around the Tirana market. The project will follow up with ASSTEX and the participating members when they complete their November buyers' meetings.

Tobler, however, did not pursue the construction of a facility in Albania this summer as planned; the current economy did not support that investment at this time. The company's original plans banked on receiving a 350,000 Euro loan from the Serbian Development Fund. Ultimately, it received just 100,000 Euros from the government business capital fund and decided to invest in the automation of its current plant instead of extending itself to another country at this time. The completion of that capital investment this summer has increased Tobler's production capacity by 30 percent. The company remains committed to its plans for a major facility in Albania, and plans to do so as soon as it can raise the additional funds.

As reported in Semi-Annual Report #12, juice producer Fluidi enjoyed immediate results from its permanent entry into the Albanian market. The South Serbian company created an Albanian subsidiary that delivered \$300,000 in sales during the winter months. The company reports that with strong summer sales, it is on track to meet its anticipated \$1.5 million in new sales for 2012 through a subsidiary it created during the November 2011 fair.

BUSINESS SUPPORT: IMPACT

A. New Market Entry – Trade Fairs and Trade Missions

New market entry and diversification of customer base has been the program's underlying strategy for two of Serbia's most under-resourced, yet strategic, regions the program targeted for intensive business support. The program works individually and in small groups with the short-term goals of helping companies to modernize, compete and revamp when needed to boost sales and market share. In the longer-term, the program adds to the initial company infrastructure and operational improvements to support growth that not only increases sales but influences local and national economic development through job creation, either through new company positions or increased demand for goods and services from small entrepreneurs.

As in past reports, the program saw several of its companies, representing each of the program's three business sectors (fashion, food and light manufacturing) achieve important breakthrough contracts.

The program used trade fair participation to introduce companies to international markets.

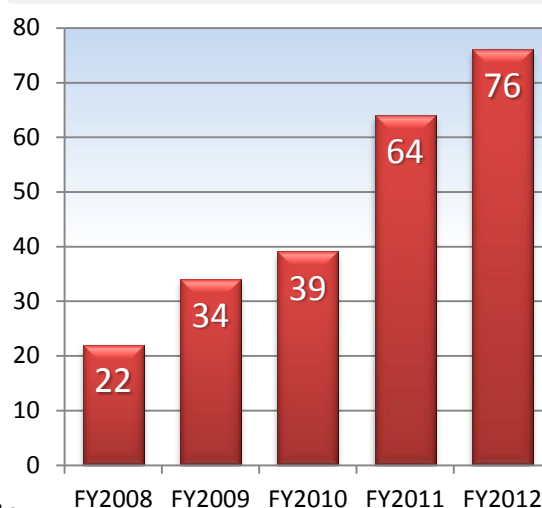
However, the ES team worked with the owners and managers to see fairs more strategically. They were to be more than a short-term access to new revenues; they are a gateway to leverage new relationships into permanent market access.

Entry into trade fairs is neither easy nor inexpensive. ES learned through some of its first forays that simply establishing an exhibit and trying to connect with swarms of vendors and visitors does not always produce the desired results. Decisions based on each year's fair participation experiences led to the introduction of new and more advanced technical assistance: new visual identity and marketing materials, international standards certification, and modern business software. Each of these activities not only boosts a company's ability to market itself at a trade fair; the activities boost the skills of the program's companies that may never exhibit at a trade fair by better preparing them to test and succeed in larger markets.

For many companies, though, the fairs have helped lead to long-term sustainability as they lay the groundwork for long-term business and contracts. Serbia's textile cluster, ASSTEX, has prospered at trade fairs, improving each year and relying less on ES support; this year it funded its own way to the Moscow trade fair. The shoe cluster companies drew on ASSTEX's experience and progressed rapidly, starting with success at last winter's Dusseldorf, Germany, trade fair to the four international trade mission visits this reporting period. The experience, sales and relationships gained at trade fairs has helped many supported companies build strong foundations for the future and given others the technical assistance needed to compete in larger arenas.

Trade missions are one of the most important solutions implemented to improve trade fair results. First tested in 2010, trade missions are linked to an upcoming, targeted trade fair. A small group of company representatives – five to seven is an optimum size for the trade mission group – travel to the country of origin for the planned trade fair. The project works with a service provider from the fair's locale who performs market research, prepares meetings with appropriate wholesale and retail buyers and takes the group on tours of retail centers to see mar

FIGURE 6: COMPANIES ENTERING NEW MARKETS (INTERNATIONAL AND DOMESTIC)



ket trends in design and display. trends in design and display. Additionally, the group will meet with officials from the trade fair country and Serbian officials serving in that country such as the Serbian Chamber of Commerce or economic attachés from the Embassy.

Trade missions are cost-effective. They can cost as little as 5 percent to 20 percent of the cost of exhibiting at a fair and can pave the way for trade fair success or can steer companies away from unnecessarily attending a trade fair.

They have proven highly successful in establishing the relationships and preparing the business environment through face-to-face meetings and pre-fair negotiations. Since their launch, trade missions have helped attract more buyer visits during a subsequent trade fair and helped companies better prepare and close more deals at the fairs versus spending months post-fair negotiating deals.

The Return on Investment (ROI) table below compares the value of the project's support for a fair to the sales made by the companies attending the fair that can be directly attributed to the trade fair attendance. After fair sales are tracked at the intervals of three and six months; the overall average ROI of 21-to-1 for the 27 fairs attended since 2008 is an excellent snapshot of immediate trade fair results. The big picture impact of using fairs and missions strategically to permanently secure and develop strong market share in several different export markets is captured in the sales data analysis that follows the ROI table.

TABLE 12: NEW EXPORT MARKETS¹⁸

Albania	Greece
Australia	Hungary
Austria	Italy
Bahrain	Kosovo
Belarus	Kuwait
Belgium	Macedonia
Bosnia and Herzegovina	Montenegro
Bulgaria	Poland
Croatia	Russia
Czech Republic	Slovak Republic
Estonia	Slovenia
France	Sweden
Germany	Switzerland
	Turkey

A total of 27 new markets have been opened and 46 of the project's companies have reached at least one new export market, including 18 new FY 2012 companies.

¹⁸ A new market is a different measure than "new sales." New sales could come from a new market or increased sales in existing markets achieved by increased market share or the offering of new products to existing customers, for example.

TABLE 13: CUMULATIVE SALES FOR ES-SUPPORTED TRADE FAIR ATTENDANCE

	#	Trade Fairs	# of firms	Anticipa- ted sales at Fair	ACTUAL SALES 3 months	ACTUAL SALES 6 months	ES assis- tance	ROI ¹⁹
FY 2008	1	48th International Fashion Fair in Belgrade (Oct 2007)	21	\$272,800	\$170,000	\$384,700	\$9,880	39 to 1
	2	Business Base 2007 (Nov 2007)	39	\$277,000	\$310,000	\$502,700	\$12,748	39 to 1
	3	5th International Fashion and Equipment Fair Novi Pazar (Mar)	40	\$338,600	\$280,500	\$546,100	\$20,307	27 to 1
	4	Bujanovac Agricultural Fair (May)	41	\$29,140	\$110,000	\$339,000	\$23,222	15 to 1
	5	Novi Sad Agricultural Fair (May)	6	\$232,500	\$210,000	\$855,840	\$20,646	41 to 1
	6	Pristina Agricultural Fair (Jun)	7	\$145,000	\$120,000	\$306,000	\$5,000	61 to 1
	7	The 84th International Zagreb Autumn Fair (Sep)	8	\$81,300	\$396,505	\$640,270	\$19,800	32 to 1
TOTAL FY 2008				\$1,376,340	\$1,597,005	\$3,574,610	\$111,603	32 to 1
FY2009	8	Construction Fair Belgrade (Apr)	11	\$98,724	\$2,495,230	\$3,686,985	\$25,464	145 to 1
	9	Bujanovac Fair (Apr)	57	\$24,537	\$110,256	\$177,650	\$18,500	10 to 1
	10	Moscow Fashion Fair (Sep)	5	\$650,000	\$54,525	\$136,125	\$57,380	2 to 1
TOTAL FY 2009				\$773,261	\$2,660,011	\$4,000,760	\$101,344	39 to 1
FY 2010	11	Pristina Fair (Oct 2009)	6	\$250,000	\$645,000	\$1,005,000	\$25,820	39 to 1
	12	Skopje Fair (Nov 2009)	7	\$170,000	\$455,000	\$610,000	\$16,390	37 to 1
	13	Tirana Fair (Nov 2009)	3	\$50,000	\$90,000	\$160,000	\$5,000	32 to 1
	14	Düsseldorf Fashion CPD (Feb)	4	\$432,000	\$6,000	\$25,000	\$30,998	1 to 1
	15	Belgrade Construction Fair (Apr)	8	\$203,000	\$317,000	\$317,000	\$23,637	13 to 1
	16	Bujanovac Agriculture Fair (May)	9	\$87,000	\$264,800	\$580,500	\$7,510	81 to 1
TOTAL FY 2010				\$1,192,000	\$1,777,800	\$2,697,500	\$108,995	25 to 1
FY 2011	17	Belgrade Furniture Fair (Nov 2010)	8	\$165,000	\$670,000	\$755,000	\$26,130	29 to 1
	18	Tirana General Fair (Nov 2010)	9	\$779,800	\$280,000	\$675,500	\$43,029	16 to 1
	19	Poznan Fashion, Poland, (Mar)	7	\$150,000	\$100,000	\$160,000	\$35,890	4 to 1
	20	Construction Fair Belgrade (Apr)	6	\$36,000	\$476,500	\$625,593	\$26,430	24 to 1
	21	Pristina Construction, Energy, Technology and Furniture (May)	4	\$15,500	\$80,000	\$80,000	\$31,174	3 to 1
TOTAL FY 2011				\$1,146,300	\$1,606,500	\$2,296,093	\$162,653	14 to 1
FY 2012	22	Panair Fair, Tirana (Nov 2011)	7	\$785,000	\$375,250	\$725,250	\$41,580	17 to 1
	23	CPM Moscow, (March 2012)	5	\$800,000	\$465,000	\$820,000	\$56,763	14 to 1
	24	International Trade Fair in ²⁰ Dusseldorf, (March 2012)	5	\$1,575,000	\$0	\$0	\$26,525	0 to 1
	25	Belgrade Construction Fair, (April 2012)	5	\$150,000	\$43,286	\$72,619	\$22,127	3 to 1
	26	Novi Sad Agricultural Fair, (May 2012)	5	\$489,000	\$142,542	\$142,542+	\$23,731	6 to 1
	27	Trade Fair in Poznan, Shoes and Apparel (Sep 2012)	5	\$132,000	\$153,350+	\$153,350+	\$35,042	4 to 1
TOTAL FY 2012				\$3,160,000	\$1,179,428+	\$1,913,761+	\$205,768	9 to 1
GRAND TOTAL				\$7,647,901	\$8,820,744+	\$14,482,724+	\$690,363	21 to 1

¹⁹ ROI is calculated only on the final six-month actual sales figure (which reflects cumulative sales); 6 month sales figures will be available for Novi Sad Fair (#26) in December and for Poznan (#27) in March 2013.

²⁰ Contracted work from Dusseldorf will take place in 2013; see Trade Fair & Trade Mission brief (pg 45).

B. Sales Data Analysis

Since 2008, the Economic Security team has prepared an annual analysis of companies' sales data to measure revenue growth to deliver more in-depth insight into the correlation between its services and support and companies' annual revenues, new market entry and return on the investments in trade fair activities.

In Semi-Annual Report #12, the project conducted more in-depth research to compare results of program companies to a "control group of companies" to deliver the best-to-date picture of the state of small businesses in Serbia's underdeveloped municipalities in general and how the ES project-supported companies stack up in sales, jobs creation, export sales and use of formal capital markets.

Last spring's comparative results supported the project's intuitive impressions that its companies were performing better than non-supported companies in the regions of South Serbia and Sandzak. Overall, that research found ES-supported companies were better equipped to handle the economic decline in 2009 and recovered more vigorously. Furthermore, between 2008 and 2011, sales growth among ES-supported companies was 41 percent greater than the unsupported companies.

In compiling the annual sales data analysis for Semi-Annual Report 12, the project found discrepancies between year-to-year and overall growth rates for its first two annual sales data analysis and those developed this past spring. The Economic Security Project reported at the time that three factors appeared to be the source of the difference: (1) in the first two years the base year was 2007 rather than 2008, the baseline year for the spring research and (2) all three prior sales analysis reported finding in USD, however, the first two performed calculations using company figures in RSD before conversion; the third sales analysis converted original data to USD and performed calculations in USD. The continued use of USD as the conversion currency as the dinar weakened against the dollar possibly artificially inflated earlier results and (3) continued gaps in the working dataset due to the limitations imposed by working and storing the data in Excel.

Since April, the ES project implemented steps to resolve each issue. The baseline for reporting going forward will be 2008, the first full year of companies receiving the intensive business support package. The project also analyzed the impact of currency conversion on reported results and determined that RSD to Euro most accurately accounts for Serbia's inflation and provides a true picture of companies' sales reporting. Finally, the project reviewed and cleaned its data and began using Access to record and continuously update. Excel is used to analyze the data. As it cleaned the data, the program realigned its industry sectors to create a fashion sector that includes apparel and shoe manufacturers; light manufacturing now is a truer reflection of the flooring, windows, scaffolding, furniture and other manufacturers that populate that sector.

TABLE 14: NBS RSD CONVERSIONS: ANNUAL AVERAGE

Year	1 USD = RSD	1 Euro = RSD
2008	56	81
2009	67	94
2010	78	103
2011	73	102
2012 (average to Aug. 31)	88	112

For 2012, the project worked with its companies to collect sales data for January to August. Using a mathematical average for monthly revenues, the project provides a preliminary year-on-year analysis to assist USAID with its own end-of-fiscal-year reporting.

1. Methodology

Sample and Sample Size

The sales data reported in the business support chapter is for the project's top and middle tier companies. A total of 112 companies (53 Sandzak, 59 South Serbia) are currently active in the project's intensive business support activities. Intensive assistance is defined as ongoing, long-term support including a package of aid starting with training and continuing on to targeted technical assistance, trade fair attendance support and assistance with capital investments.²¹

From those companies, 112 provided the project with some sales data; 101 companies provided sales data for all years from 2008 to 2012. This number of companies that make full sales data available is consistent with prior reports²² and represents a highly reliable sample.

The sales data will report gains and losses by the project's industry sectors along with the overall sales information. The populations within each of the three sectors are as follows:

By Sector:

- 40 Apparel (Includes Sandzak region textile manufacturers and South Serbian-based shoe manufacturers)
- 34 Food producers and processors
- 27 Light manufacturers

By Region:

- 49 South Serbia
- 52 Sandzak

Analysis and Reporting

Reporting Currency: This report will discuss all sales data findings based on company reported RSD earnings converted into Euros. We believe this is the most accurate representation of company results because between 2009 and 2012, the Euro against the RSD tracks nearly perfectly the country's rising inflation. At the same time, the dissonance between the Euro and the USD causes conversions to dollars to artificially inflate or depress results²³. Separate data runs were performed in each currency using the average annual exchange rates as reported by the National Bank of Serbia. Those rates are listed in Table 14.

The move to Euros not only ensures more meaningful trend analysis but also is in line with how the companies are working. Increasingly, as exports grow and the integration with the European Union moves forward, many of the project's companies are denominating contracts in Euros.

Data Source: The ES-supported companies provided eight full months of sales figures for analysis (January 1 through August 31). They also projected end-of-year sales based on known contracts scheduled to be recorded in the 2012 calendar year. Following a review of year-to-year reporting since 2008, the end of 2012 year projections seem to be consistent with past trends

²¹ In the first year of the program, ES issued open calls for interest and provided one-off training (on business planning and financial management) and/or one-off grants to a larger number of businesses. This strategy was discontinued in Year 2 of the program in favor of the "continuous relationship/intensive" strategy when the project switched from a "supply" focus to a demand driven one.

²² 100 companies were analyzed in SA#8 (Spring 2010); 97 companies provided full data for SA#10 (Spring 2011) and 87 companies delivered full sales data for SA#12 (Spring 2012).

²³ The U.S. dollar against the Euro has moved continuously up and down since 2008 ultimately losing 40 percent of its value against the Euro.

and will be used to create greater parallelism with prior years' data. Actual 2012 full year data will be supplied with the final report.

2. Methodology Recommendations

While the analysis here is using sales data reported in RSD and converted to Euros, the project continues to report figures in the monitoring plan located in Annex A in dollars so currency and percentages are consistent with past reporting periods. However, it is recommended that for the final report all numbers related to the sales data (narrative content and PMPs) be based on Euros. This will need to be discussed with USAID before work on the final report is begun.

3. General Findings

Whether converting to Euros or dollars the sales data analysis is consistent in its finding that most Economic Security project companies are expanding sales over time. They further show that diversification of customer base through new market expansion, especially through exports, provided the majority of companies the resiliency to not only manage the impact of internal and external economic declines, but to achieve growth and market share in the face of it. Table 15 shows the year-to-year sales growth of the project's companies.

1. The overall sales growth of the 101 ES-intensively **supported top and middle tier companies from 2008 to 2012 is 40 percent**. In real numbers, the companies generated an additional \$27.6 million in sales during the four year time period²⁴.
2. Just as importantly, **between 2010 and 2011, a year that the Serbian economy grew just 1.4 percent, ES-supported companies enjoyed 16 percent** sales growth.
3. More of the **companies' sales revenue grew in 2012 (57) compared to ones (44) that declined**, making it the third year in a row in which more ES-supported companies increased sales than suffered decreases²⁵.
4. The second key point on individual company increases and decreases points to the influence of program assistance. **Between 2009 and 2012, the numbers of companies that experienced increased sales compared to those that that experience sales decline more than doubled (35% to 73% respectively)**. The trend tracks with the delivery of the project's most sophisticated technical assistance activities such as ISO standards and computer-driven management software. Trade fairs were more targeted and pre-arranged meetings with potential buyers organized through pre-fair trade missions. More companies were also establishing permanent market entry relationships to diversify and expand their sales base.

²⁴ The project's trade fair support generated \$14.1 million in sales for its participating companies. A total 74 companies in this sample have participated in at least one fair.

²⁵ All 101 companies in the data set provided information from 2008, but the program brought companies into the intensively supported activities in three separate years (2009, 2010, and 2012). The analysis does not disaggregate based on cohorts because 20 percent of the sample did not have access to program training or technical assistance between 2008 and 2010, so there is mild depressing on earlier year's sales data.

TABLE 15: ES-INTENSIVELY SUPPORTED COMPANIES' YEAR-TO-YEAR SALES GROWTH BETWEEN 2008 AND 2012²⁶

Sales	RSD	EUR	Annual Growth	Exchange Rate
Sales 2008	6,634,225,670	€ 81,461,513		81.44
Sales 2009	8,072,868,004	€ 93,097,297	6%	93.90
Sales 2010	9,579,711,923	€ 93,097,297	8%	102.90
Sales 2011	11,016,300,010	€ 108,034,716	16%	101.97
Sales 2012 Jan-Aug	8,529,218,823	€ 75,848,989		112.45
Sales 2012 Projected	12,793,828,235	€ 113,773,483	5%	112.45
40% (2008-2012)				

4. Sales Data: Overview

Once again, the program's companies demonstrate growth that runs counter to the country's economic trends. The recent mission from the International Monetary Fund (IMF) predicts a potential contraction in the economy of half a percent in 2012, the second negative growth year in the past four years. The overall sales growth for the companies studied is 40 percent between 2008 and 2012.

TABLE 16: SERBIA'S GROSS DOMESTIC GROWTH RATE 2009 – 2012 SOURCE IMF

2009 %	2010 %	2011 %	2012 projected %
-3.0	1.0	1.6	-0.5

And, still the reporting companies' projected sales growth in 2012 of 14€ million, growth of 6 percent, albeit a decline over last year's much stronger showing is an important positive in an otherwise bleak economic forecast for the country. It is significant also that more companies (56) project growth this year than those that anticipate a decline in revenues (45). Overall, through the four years, every sector reports more companies growing than declining as seen in Table 17.

Industry Sector Sales Data

Initially, the Economic Security Program was organized into four industry sectors: Food, Light Manufacturing, Apparel/Textile and Tourism and Services. In 2012, sectors were re-aligned to better reflect emerging market trends. As the shoe manufacturing companies organized into a cluster and began to market their own brands alongside their outsourcing contracts, increasingly they fit more into fashion than light manufacturing. In 2012, the decision was made to regroup the apparel and shoe companies together as a fashion sector. The light manufacturers now represent the furniture makers and the companies involved with materials used in construction manufacturing, which is everything from ceramic heaters and windows for home to scaffolding for building sites. The Tourism and Services was a short-term activity to help family-owned bed-and-breakfast businesses increase capacity in two municipali-

TABLE 17: COMPANIES WITH GROWTH VS. DECLINE IN TOTAL SALES, 2008-2012 (PROJECTED)

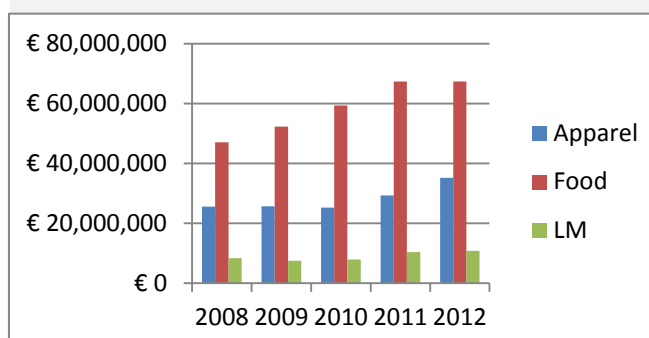
Sectors	Number of companies		
	Total (in analysis)	Grew	Declined
Apparel	40	28 ↑	12 ↓
Food	34	24 ↑	10 ↓
LM	27	17 ↑	10 ↓
Total	101	69 ↑	32 ↓

²⁶ A table showing sales growth figures and percentages over time is reported in all three currencies is included in Annex A – PMP #1 located on page 98.

ties. ES support for this activity ended in 2009. Company distribution across sectors for this report is now: Fashion (40), Food (34), and Light Manufacturing (27).

The performance of each industry sector is impressive, especially in light of the country's slow growth in each of the last four years. As viewed in Figure 7: Y-to-Y sales increase by Sector, overall the sectors have been expanding sales since 2008 and when the global economic crisis hit the two manufacturing sectors each rebounded quickly the following year. Light manufacturing felt the economic crisis' impact immediately because builders and home owners were forced to belt-tighten immediately; the apparel industry suffered a year later because fashions are contracted a year in advance – so 2009 was secure but in 2010 the market in fashion dropped. After being the program's star performer since 2008, the food producers' expect a 1.5 percent decline in sales this year. This is not an entirely unexpected event as rising unemployment has created demand destruction among food producers (who are most reliant on the domestic market) and the 2012 drought has increased input costs and suppressed input supply.

FIGURE 7: Y-TO-Y SALES INCREASE BY SECTOR



The ability to weather the crisis and regain footing in the next sales year was not a trend shared by all Serbian companies. In fact, the comparative research conducted by the project in 2011 among a control group of companies in South Serbia and Sandzak found that the control companies experienced two years of losses before recovering from the crisis. Furthermore, the percentage of losses was 10 percent to 20 percent greater than those experienced by the project's light manufacturing or apparel sectors.

Export Sales and Jobs: Key Findings

Exports continue to emerge as a key to ES-supported companies' growth and ability to succeed in the absence of a national economic development strategy. Across the three sectors, nearly 30 percent of total sales are now derived from exports; for the fashion industry that figure for 2012 is 45 percent of sales from export markets.

1. The number of ES-supported companies earning sales from export markets more than doubled between 2008 and 2011. **In 2008, 36 of the 101 companies surveyed were exporting; now 74 of them are.**
2. The overall sales from **exports have grown from 9.4 million EUR to 33.2 million EUR** as seen in Table 18. The extraordinary growth years are between 2009 and 2011, as Figure 8 demonstrates, which also coincides with the years the ES project took 36 companies to 12 trade fairs, to meet international buyers²⁷. Many of the companies were first time exporters or did limited trade with former Yugoslavian countries.
3. A direct link is observed between the **number of companies in an industry sector deriving sales from exports** and the overall 2012 sales growth projections for the sector.

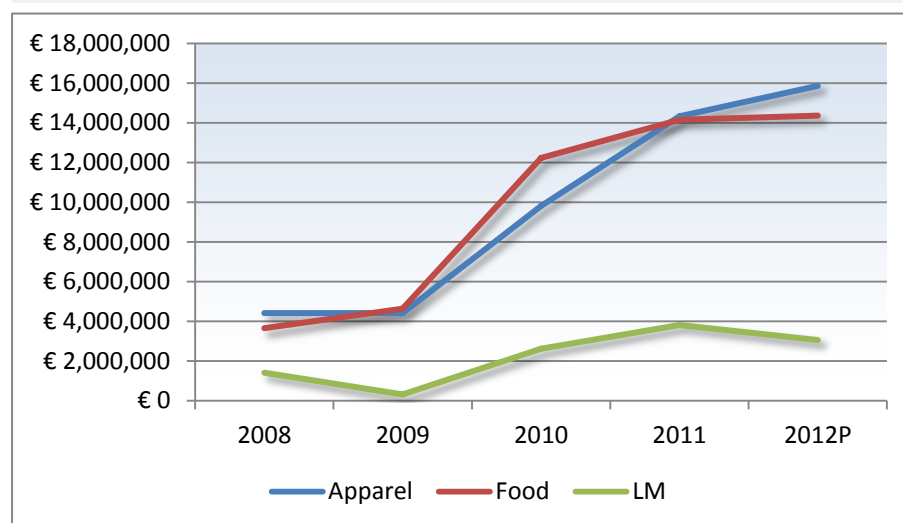
²⁷ Nine of the trade fairs were in foreign countries including CEFTA partners, European Union members and Russia. The Belgrade Construction Fair is the largest fair of its kind in the Balkans with buyers from throughout the region and many of the light manufacturing contracts closed by ES-supported companies were with international buyers. Details and results of all trade fairs can be seen in the ROI table on page 51.

- 34 of 40 fashion sector companies export. The sector anticipates sales growth for 2012 of 21 percent over 2011 sales.
 - 13 of 34 food sector companies export. The sector projects losses of 1.5 percent over 2011 sales.
 - 13 of 27 light manufacturers export. The sector anticipates sales growth of just 5 percent over 2011 sales.
4. The 101 ES-supported companies in the analysis **added a total of 417 new jobs between 2009 and 2012, a 12 percent increase.** This total job growth percentage includes a two percent reduction from 2011 to 2012, not surprisingly the majority of lost jobs are in the food sector. During that same time period the unemployment rate in Serbia has grown almost 60 percent from 15.6 percent in 2009 to 24.3 percent in August 2012.²⁸
 5. The domestic market is still essential to these companies' growth. Approximately 70 percent of sales growth, in aggregate, comes from domestic expansion. The project's **food sector and light manufacturing, which currently derive 80 percent and 70 percent, respectively, of their sales domestically, make them much more sensitive** to domestic economic conditions than their fashion counterparts.

TABLE 18: ES-SUPPORTED COMPANIES EXPORT SALES GROWTH 2008 THROUGH 2012

Sector	#	Export 2008	Export 2009	Export 2010	Export 2011	Export 2012 (projected)	Exports 2008-2012
Apparel	40	€4,408,492	€4,424,913	€9,808,410	€14,314,762	€15,848,930	€48,805,507
Food	34	€3,648,201	€4,634,085	€12,224,383	€14,132,276	€14,347,301	€48,986,246
LM	27	€1,407,623	€310,333	€2,612,164	€3,811,786	€3,045,203	€11,187,109
Grand Total	101	€9,464,316	€9,369,332	€24,644,957	€32,258,824	€33,241,434	€108,978,862

FIGURE 8: ES-SUPPORTED COMPANIES EXPORT SALES GROWTH 2008 -2012



²⁸ Republic Statistical Office, Serbia.

5. Conclusions

Exports clearly influence sales growth and companies' ability to respond positively to Serbia's challenging economic conditions. With only 55 percent of its sales dependent on the ability of Serbian customers to spend, the fashion sector companies continue to grow sales in other more prosperous or stable markets. Exports in both the food and light manufacturing sector companies in business support are driven by four to six companies that have been able to invest in upgraded operations and necessary certifications to meet international standards. In the food sector, the drought has affected the small food producers the most. Those consequences will last beyond this year as the small farmers they rely on for raw product will be unable to rebound and meet demand well into next year. The light manufacturers too small to enter export markets by themselves or to meet export market standards are far less able to withstand the depression in Serbia's construction market.

At trade fairs, the ES project has seen the potential demand for the products of Serbia's small food producers. For example at the Novi Sad Agricultural Fair, a company from Russia tried to conclude sales with Zornic Dairy but the need for certifications to deliver product through EU countries (air transportation is cost prohibitive) and the inability of Zornic's suppliers to produce the quantity of product requested has put those negotiations on hold.

The project is working with these small food producers and light manufacturers to use strategies similar to those of the apparel sector – working together to negotiate larger contracts that can be split across several companies, using trade missions to identify the best potential markets, and negotiating with service providers to provide affordable pricing to help a group of companies upgrade and meet international standards.

A donor project cannot replace the need for national policies that support the development of family farms to increase production or to provide resource avenues for operational upgrades or to collectively promote Serbian products. Through the continuous analysis of sales data, the ES project is able to document the impact of a highly-integrated, intensively-supported package of training and technical assistance and the evidence demonstrates the effectiveness of the approach.

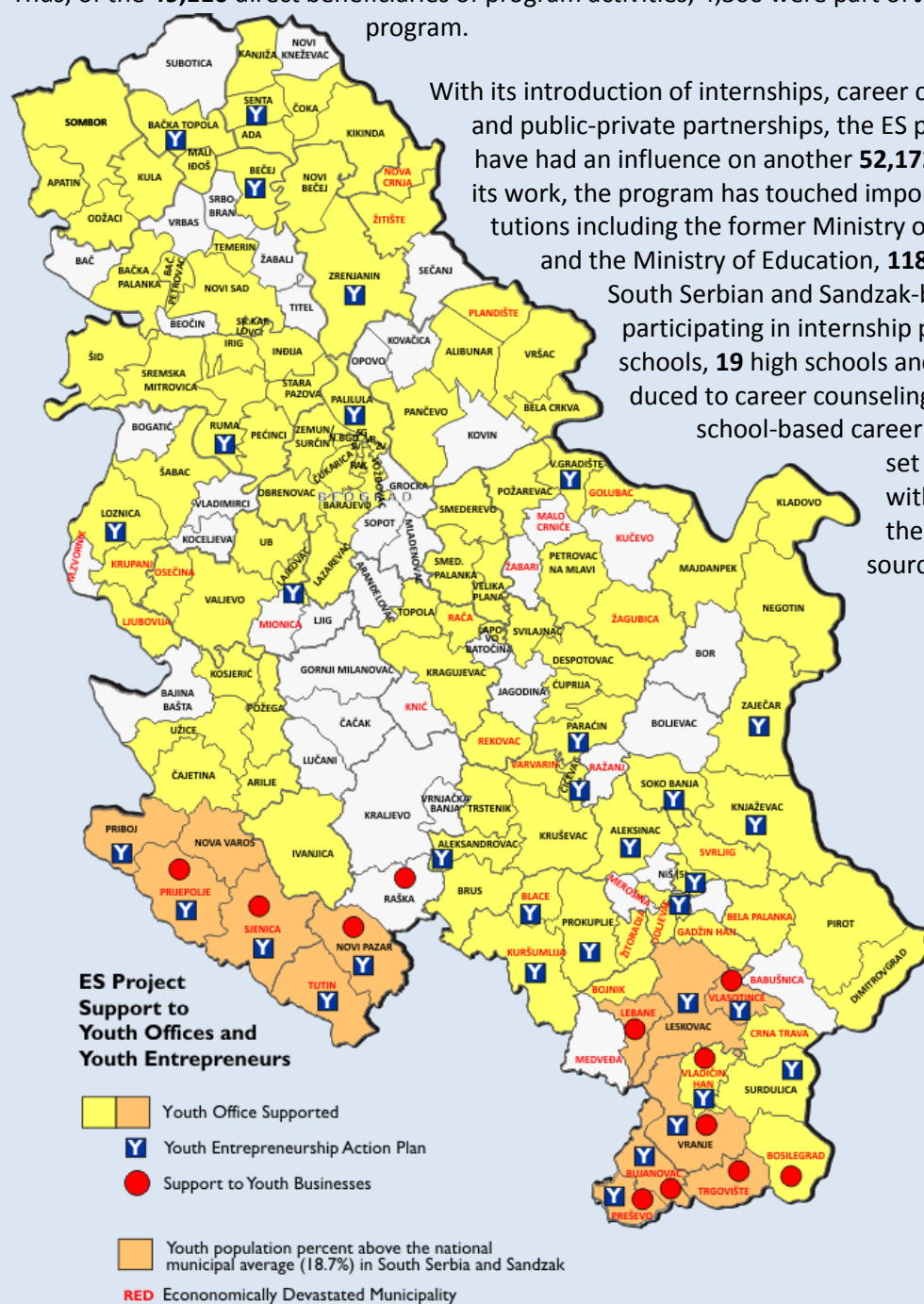
Youth Support

YOUTH POPULATION IN SERBIA

Serbia is home to slightly more than 1.4 million young people ages 15-30, the country's formal definition of "youth". This age group makes up approximately 20 percent of the country's population. But, one out of two between the ages of 15-24 is unemployed and two of five 25- to 30-year-olds are out of work.

The ES project targets youth ages 15-30 for the majority of its activities. However, Junior Achievement Serbia has introduced its program into elementary schools during school year 2009-2010. Thus, of the **49,110** direct beneficiaries of program activities, 4,300 were part of JAS' primary school program.

With its introduction of internships, career counseling centers and public-private partnerships, the ES project activities have had an influence on another **52,172** youth. Through its work, the program has touched important Serbian institutions including the former Ministry of Youth and Sport and the Ministry of Education, **118** municipalities, **90** South Serbian and Sandzak-based companies participating in internship programs, **208** JAS schools, **19** high schools and universities introduced to career counseling and **three** non-school-based career counseling centers set up in partnership with Manpower, Inc., the global human resource company.



YOUTH SUPPORT INTRODUCTION

Serbia's gradual emergence from conflict and political isolation has benefited from democratic gains but remains hampered by slow economic growth, high unemployment and an increasingly disaffected youth. Unemployment among 15- to 24-year-olds is nearly 50 percent—more than double the European average for the same age group—and approaches 70 percent in regions officially designated as “devastated.” USAID investment in Serbian youth takes the long view, integrating youth programming within a larger strategy to see small businesses grow and succeed.



Young people in Belgrade attend a Job Fair at Dom Omladin in hopes of finding a first job. Serbia's youth unemployment rate has hovered around 40 percent for nearly a decade.
Photo: Politika

While the prevailing business climate is a macroeconomic domain in which national policy initiatives are the ideal change-agents, the ES project has learned that local strategies can also generate momentum, projecting their successes from local to national levels. Its experience building a national disaster preparedness program demonstrated that successful municipal-level initiatives in Serbia can generate the critical mass necessary to influence national policy and priorities favorably. Key to initial success is finding ways to leverage local resources toward a solution, which in turn lays the foundation for local ownership and ultimately sustainability. One example of this local approach in the Economic Security Project is the Youth Entrepreneurship Action Plan, which promotes community involvement by challenging municipalities to invest their own money toward solutions to youth unemployment. In the last two years 33 municipalities have contributed nearly \$100,000 to locally tailored initiatives. This achievement realizes the wider PPES policy goal of seeing youth employment issues integrated into local economic development planning.

Youth between the ages of 15 and 24 constitute nearly 10 percent of all Serbian business owners, a ratio equal to that of the EU. Training and capacity development for youth—those seeking employment as well as those running small businesses—helps them take responsibility for their futures. In practical terms this means learning to analyze existing opportunities, local markets and their hiring needs as a first step toward advancement in a competitive, constrained market.

Promoting entrepreneurialism by learning how to start one's own business is an additional component of youth programming. Expanding the network of Municipal Youth Offices has been an integral component of the project's engagement with local government, with 46 offices now operational with municipal funding. None of these offices offered employment services or training at program outset. Their success has attracted national-level support from the Ministry of Youth and Sport, created in 2008. This is further evidence of the program's ability to influence national policy from local successes.

The program's primary geographic focus is on South Serbia and Sandzak, the country's most economically depressed regions. Rapid improvement in these regions presents a greater challenge than elsewhere in the country. Yet the low indicators also mean that positive impact is noted immediately, allowing for rapid scale up once an approach has proven effective. In 2012, 29 youth-owned businesses in these two regions received technical training in business expansion and employment creation. A career office was opened in Novi Pazar State University. With-

out greater economic opportunity for youth in these disenfranchised regions, their prospects for social mobility and the promise of a fully integrated Serbia will remain stalled.

In the continued absence of a national economic development strategy, PPES has worked to forge coalitions and partnerships between public and private sector in ways that serve small business development and young entrepreneurs. This networking approach has an important long-term benefit, namely that municipal and, ultimately, national institutions will be equipped and able to take full responsibility for finding and implementing solutions for young Serbians seeking employment and pursuing careers. This means, however, that measuring program impact, such as reduction of youth unemployment, may not be realistic until after program closedown. Ensuring the ability of the institutional and individual beneficiaries to survive and thrive long after the program's closure has been integral to the ES approach from the beginning.

More specifically, the program's youth strategy is built on three pillars: (1) building broad partnerships to address the issue of youth unemployment; (2) working through municipal-level Youth Offices to reach large numbers of youth countrywide; (3) strengthening targeted sectors by integrating youth-owned small business into existing value chains.

In addition to the Youth Offices and the development of Youth Employment Action Plans at the municipal level, the ES project has worked intensively with Junior Achievement Serbia. Its current focus is on technical assistance in areas critical to the organization's long-term sustainability. This includes financial management, fundraising and administrative capacity development. Since its inauguration in 2008, JAS has experienced exponential growth in its number of program participants, national reach and volunteers. In keeping with the project's concern for the long-term viability of its partner institutions, the shift to institutional support was a consensual decision with JA leadership, who recognized an internal need for professionalization in order to keep pace with its growth.

Affecting change through individual lives and their social and professional networks at the local, national and even regional level is clearly a priority. Though obtaining a high yield on this investment in youth and small business requires equal attention to individual capacity within a constrained economy and to those partner institutions whose mission is youth career development, which will continue working beyond the life of the Economic Security Project and USAID in Serbia.

Macro-Economic Context for Serbian Youth

Serbia in 2012 struggles with its third consecutive year of economic decline. Among the many citizens challenged by job loss, economic opportunity and the development of modern skills, the country's youth are the hardest hit. Unemployment rates among 15- to 24-year-olds have hovered at 40 percent or more for nearly a decade²⁹. The net loss of 160,000 jobs in Serbia over the past two years drove unemployment rates among 15- to 24-year-olds to more than 50 percent in 2012³⁰.

The conditions in Serbia put the country's youth at a disadvantage compared to other Europeans of the same age. The average European unemployment rate has been just half that of Serbia for the past four years, averaging about 22 percent. Leaving aside the most economically stressed countries of Spain, Greece and Italy, the contrast is even more pronounced with the remainder of Europe, which has a youth unemployment rate of about 12 percent; at the lowest

²⁹ Republic Statistical Office, *Labor Force Survey 2002-2010*

³⁰ Website: Index Mundi: Serbia

end of the scale, in Germany and Austria, unemployment rates among 15- to 24-year-olds are just a little more than 8 percent³¹.

Ongoing contraction of the Serbian economy further limits opportunities for the country's young people. They must compete against older, more experienced workers and they lack the education and skills most in demand in the modern work place. Curriculum reform to reflect the needs of employers and professional skills of a modern workforce has been slow and funding for education reform, especially in comparison to Serbia's European neighbors, suggests little change can be expected in the near term. Education budgets in Serbia are only 3.3 percent of GDP compared with an average for Europe of 4.7 percent of GDP. Even among former Yugoslavian republics that inherited similar education systems as Serbia's that have already joined the EU or will do so within the next year, the contrast is still significant. The investments of Slovenia and Croatia are 6.1 percent and 4.5 percent, respectively. Moreover, at the higher end of the education scale, only 36 percent of those eligible to be in higher education in Serbia are enrolled. In 2009, the number of students enrolled in tertiary education in the EU 27 countries was equivalent to more than 61 percent of all people aged 20 to 24³².

On the positive side, when it comes to entrepreneurial activity, based on the government's *2010 Status of SME* report, Serbia's youth are equal to their peers in the EU – with the total number of business owners between age 15 and 24 reaching 9.6 percent of total business owners. However, new Serbian businesses are generally smaller than their European counterparts and have fallen behind in reinvesting in the business (an important leading indicator of future business growth and job creation potential). On average, measured per employee, SMEs in Serbia have invested only 39 percent of what SMEs in EU counties have invested³³.

In this context, the Economic Security Project's strategy has been to close the gaps that limit opportunity for Serbia's youth, especially in those South Serbia and Sandzak municipalities designated by the Serbian government as economically challenged. Its work also strives to stem the tide of youth outmigration in Serbia, ranked third among the world's nations in "brain drain"³⁴.

Its YEAP actions turn local communities' focus to the needs of youth and leverage public, private and civic resources toward job creation. Entrepreneurship training, internships, basic business skills training and information centers through Youth Offices give young people access to much-needed experience and education to qualify or prepare for jobs. Training and support to apply for and access financial support increases the overall level of investment in small business and improves both business performance and the outlook for employment.

³¹ Nationmaster.com Serbia/Europe

³² Ibid

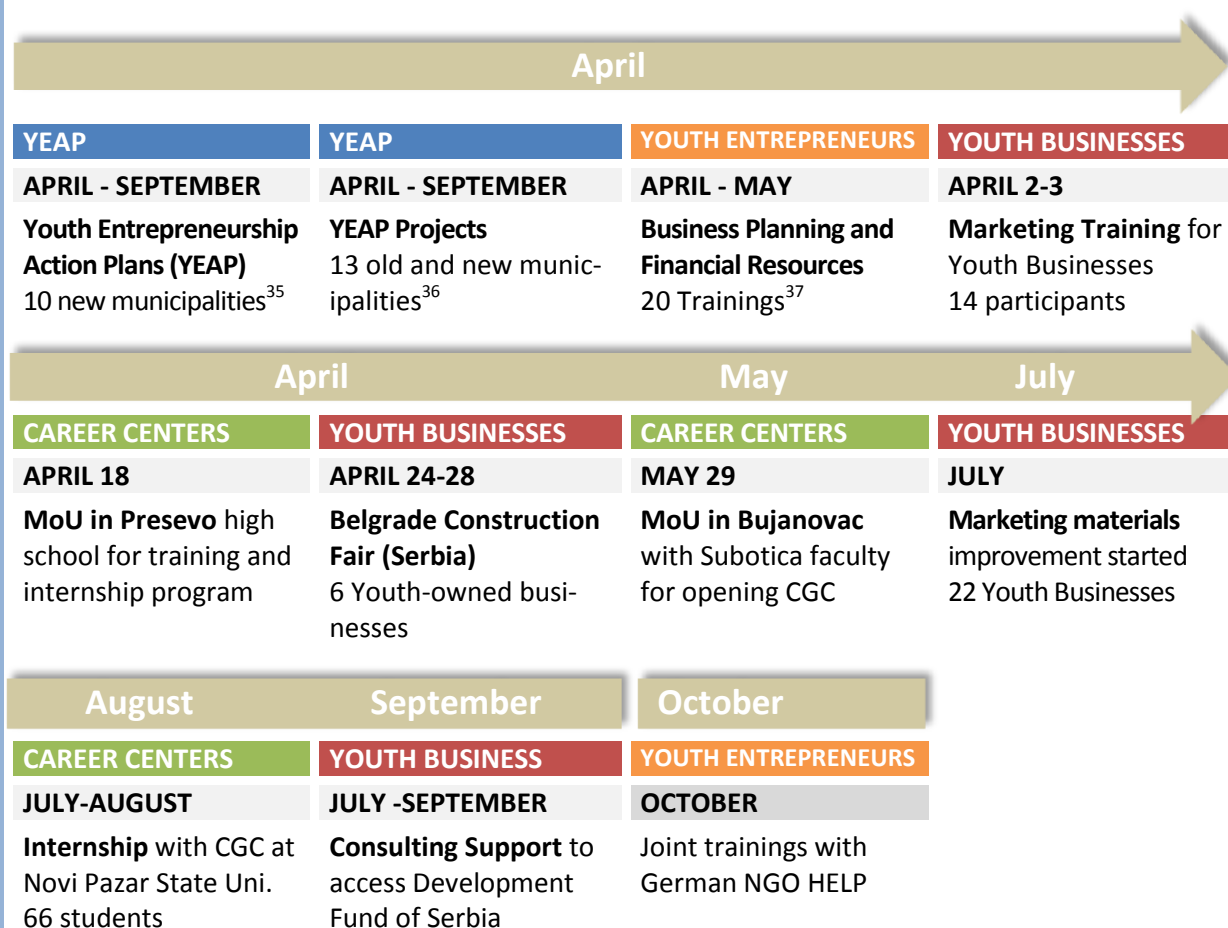
³³ Government of Serbia annual update on the status of SMEs; 2010 figures are the most current, 2011 figures will be released with the 2012 report due out this fall.

³⁴ World Economic Forum, September 2012: Serbia ranked 141 out of the 144 countries considered.

Youth Support: Implementation

The Economic Security Youth Support team worked side-by-side with the Ministry of Youth, municipal Mayors and Youth Office Coordinators to develop local Youth Offices into an institutional framework to focus on all youth issues, especially the perennial need to reduce youth unemployment. As the Impact section outlines the cumulative results of the team's work to more fully integrate young people into Serbia's economy, the following section details the project's accomplishments for this reporting period.

Timeline of Youth Support Implementation



³⁵ Bujanovac, Kuršumlja, Preševo, Priboj, Prokuplje, Sjenica, Sokobanja, Tutin, Vladičin Han, Vranje

³⁶ Aleksandrovac, Aleksinac, Blace, Bujanovac, Krusevac, Leskovac, Presevo, Prokuplje, Sjenica, Tutin, Vlasotince, Vladičin Han, Vranje

³⁷ Apatin, Babušnica, Belgrade-Čukarica, Bor, Boljevac, Brus, Čuprija, Doljevac, Novi Sad, Pirot, Rača, Ražanj, Rekovac, Sjenica, Svrnjig, Topola, Trgovište, Varvarin, Vrnjačka Banja, Velika Plana

I. SUPPORT OF YOUTH ENTREPRENEURSHIP THROUGH YOUTH OFFICES

A. Youth Offices – Training Youth Entrepreneurs

Figure 9: HIGHLIGHTS

YEAP	<ul style="list-style-type: none">• 19 Municipalities prepared YEAP activities (10 new, 9 second year)• 21 YEAP projects in implementation phase directly benefiting 286 youth
Young Business Owners	<ul style="list-style-type: none">• 57 young business owners receiving funding support for their new companies• \$174,536 was the total resources provided to the youth business owners: \$44,536 by participants of Youth Support teams entrepreneurship training, \$130,000 through municipal YEAP projects
New Jobs	<ul style="list-style-type: none">• 96 youth found jobs following participation in ES program activities: 12 following the entrepreneurship training and 84 as a result of YEAP actions
Employ-ability	<ul style="list-style-type: none">• 77 students from the State University of Novi Pazar have received training in job interviewing and resume writing skills since the formal opening of the new Career Council Center in April.
Junior Achievement	<ul style="list-style-type: none">• \$129,276 raised by Junior Achievement a 67 percent growth in total fundraising; the level of the all-important unrestricted, non-USAID funds has grown to be 66 percent of funds raised.

In each of the past four years, following the completion of their two professional development trainings, Youth Office Coordinators (YOC) recruit, organize and manage a seminar for youth in their communities who want to start their own business or strengthen an existing one³⁸. The ES-developed entrepreneurship training program, *Business Planning and Financial Resources for Businesses*, teaches business basics, provides skills to evaluate business ideas, offers information

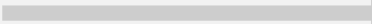
³⁸ Youth Coordinators from the 19 Youth Offices selected to participate in FY 2012 activities completed education in communications, marketing and promotions as well as an introduction to entrepreneurship between December 2011 and February 2012.

on raising capital and introduces participants to the personal attitudes and values common to successful entrepreneurs.

The ES team works with the YOCs to target young people with a strong interest and personal motivation to take on the challenges of business ownership. The coordinators successfully used traditional and social media communication channels to identify serious candidates. A total of 281 youth participated in the 2012 seminars: 9 percent of the potential entrepreneurs arrived with draft business plans in hand and 53 percent came with a concrete business idea. After the training, 48 percent had developed a written business plan and 76 percent of those surveyed said they now have concrete business ideas³⁹. Holding the training in some of the country's most economically depressed municipalities, 83 percent of the participants were unemployed or students at the time of the training. In the project's follow-up survey, 12 percent or 34 of the participants said they had found either full- or part-time employment, 20 as a result of starting a business.

B. Youth Offices – Youth Entrepreneurship Action Plans (YEAP)

The Economic Security Project's YEAP activity is an innovative approach that helps municipalities turn strategy into concrete action. In addition to the 23 municipalities that created YEAPs in 2010 and 2011, the ES project helped another 10 municipalities do so in this year⁴⁰. Nine municipalities have formally adopted YEAPs as planned; the municipality of Priboj chose to wait for its new government to be elected in May before starting the process. Priboj is now on track to adopt its YEAP in October. **Error! Reference source not found.** lists municipalities added in 2012 and the current status of their YEAP.

Table 19: NEW 2012 YEAP MUNICIPALITY STATUS			
Municipality	Milestones 		
	YEAP PREPARED	YEAP ADOPTED	YEAP IMPLEMENTATION
Bujanovac	✓	✓	✓
Kuršumlija	✓	✓	✓
Preševo	✓	✓	✓
Priboj	✓	October 2012	
Prokuplje	✓	✓	✓
Sjenica	✓	✓	✓
Sokobanja	✓	✓	✓
Tutin	✓	✓	✓
Vladičin Han	✓	✓	✓
Vranje	✓	✓	✓

This year, the ES team used its past experience and that of its service providers to help municipalities move through the first three key milestones (completing a first draft, holding a public hearing and creating a final YEAP draft) 30 percent faster than in the first year of the activity. In doing so, the team managed to keep the communities on track while the actual adoptions of the plans, in some cases, took more time due to the May elections and the break in local assembly sessions as post-election coalitions were formed. Doing so ensured that key YEAP actions were completed within the current fiscal year.

³⁹ 77 or 54 percent of the 2012 participants responded to the follow-up survey.

⁴⁰ 2010 municipalities were: Aleksandrovac, Aleksinac, Blace, Leskovac, Novi Pazar, Ruma, Surdulica, Vel. Gradište, Vlasotince, Zaječar, Zrenjanin; 2011 municipalities were: Bačka Topola, Bečej, Čicevac, Knjaževac, Lajkovac, Loznica, Palilula (Bgd), Palilula (Niš), Pantelej (Niš), Paraćin, Prijepolje, Senta

YOUTH ENTREPRENEURSHIP ACTION PLAN: IMPLEMENTATION SUMMARY

Y

A well-defined seven-step process guides the YEAP activity. It starts with the creation of a community-wide network of public, private and civic groups representing both national and local institutions to focus resources on solving the persistent youth employment problem. The broad-based network of stakeholders assesses needs, drafts a strategy and holds open public discussions to collect feedback. The final YEAP is adopted by municipal parliaments; once the plan is formally adopted, implementation begins immediately.

E

YEAPs are “living plans” and the project encouraged municipalities to move rapidly from adoption to implementation of activities. As an incentive, the project provides initial seed funding (up to \$5,000, which is matched dollar-for-dollar by the municipality) to implement a few high-priority projects defined in the YEAPs.

A

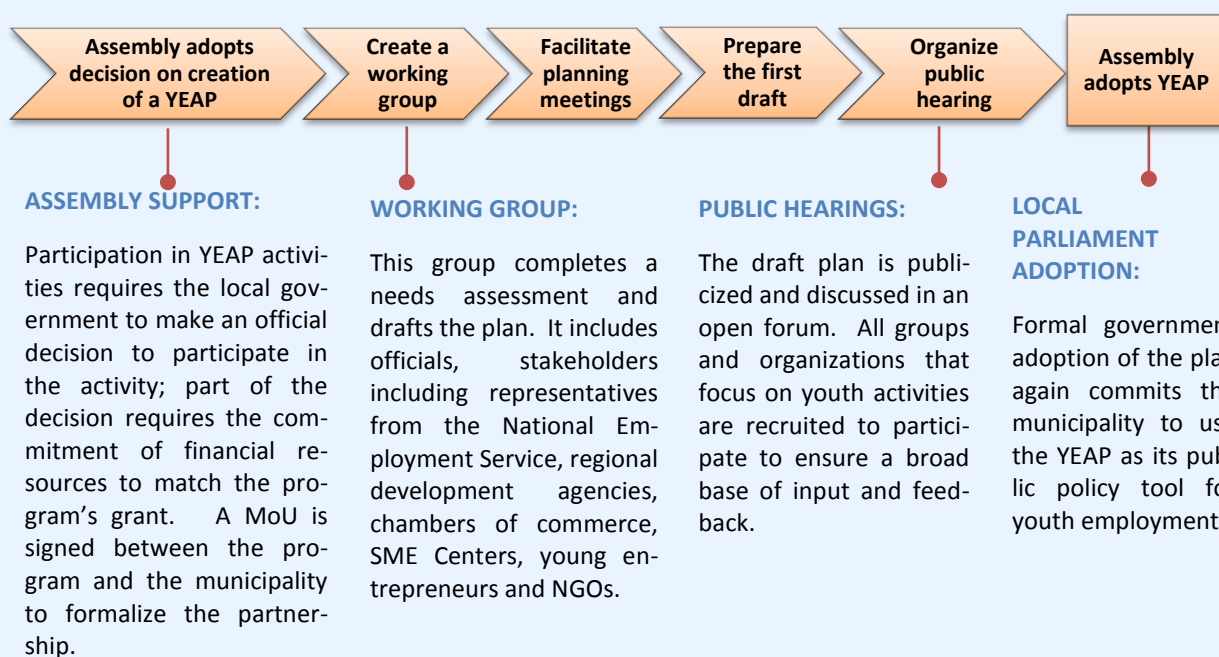
As part of the program’s sustainability efforts, the Economic Security program worked with municipal leaders and Youth Office Coordinators to have municipal Youth Offices oversee YEAP implementation. This requires YO Coordinators to manage relationships with local NGOs, recruit volunteers, reach into the local business community and exercise strong planning and organizational skills. Through many of the activities, Youth Offices have become permanent resource centers for job search and preparation skills as well as entrepreneurial and business start-up information.

P

The YEAP process allows municipalities to be flexible and tailor activities to local needs and policy challenges. Some activities introduced rural youth to modern business opportunities that allow them to remain at home and create new jobs for themselves and others. One municipality targeted single mothers for job preparation and entrepreneurial training; another focused on bringing together multiple generations on family farms to build modern agri-businesses.

One final point of interest: The YEAP activities reached a large number of youth for a relatively small amount of money. This model of development delivery – placing funding decisions directly in the hands of Youth Office Coordinators, who then find the right mix of paid and volunteer labor appropriate for their communities – is highly cost effective. The average activity cost about \$5,000 and reached more than 150 young people.

Youth Entrepreneurship Action Plans development process



YEAP Continued Implementation Support

The Economic Security Project targets regions where youth unemployment is especially difficult. As part of that targeting, the program invited eight communities that adopted YEAPs in prior years to continue collaboration with the Economic Security Project on implementing their plans. All eight eligible municipalities accepted and already have allocated funds to co-finance activities with the ES program.

A ninth municipality, Krusevac, also was invited despite not participating in prior YEAP cohorts. The community created its own Youth Action Plan, which met the project's standards and is one of the strongest and most ambitious in the country. The community is working with the Regional Center for SME Krusevac, Kraljevo and Cacak – a service provider for ES YEAP implementation – and it's expected that ES support will deliver a strong return on investment for the municipality, participating youth and the program.

Table 20: CONTINUED YEAP MUNICIPALITIES

1	Aleksandrovac
2	Aleksinac
3	Blace
4	Knjazevac
5	Krusevac
6	Leskovac
7	Novi Pazar
8	Prijepolje
9	Vlasotince

YEAP 2012 Implementation Results

The Youth Employment Action Plan strategies have evolved significantly since the first cohort of 12 municipalities completed the process. After the second year, the project recognized that municipalities created activities that basically fell into four categories and the number of actions implemented in each category was as follows:

- 1) Employment and entrepreneurship information dissemination;
- 2) Employment skill enhancement;
- 3) Entrepreneurship education; and
- 4) Direct support to young entrepreneurs.

With each new cohort, the basic categorization of municipal YEAP activities remained unchanged but the predominance of activities now provide direct support to young entrepreneurs or provide specific education leading to new employment opportunities. The evolution is evidence of the sustainability of Youth Offices generally and YEAP actions specifically. It reflects the project's strategic goal of supporting programs that will institutionalize municipal Youth Offices as the administrators of youth programs for their regions. One of the key responsibilities was to become the central location for business ownership and professional development information.

As the Youth Offices initially targeted information dissemination and basic employability education, those actions for many Youth Offices became core responsibilities. As the YEAP activity continued, the ES program, the municipalities, the private-public partnerships and the youth beneficiaries became more sophisticated in developing direct support to help create new businesses or support existing ones.

In this reporting period, the program, in partnership with 11 municipalities⁴¹ implemented 13 projects. The results are impressive: 44 new jobs have been created with the potential for 45 more through the Knjazevac youth outsourcing center. A total of 39 new companies are being registered and 17 existing ones with strong potential strengthen with access to much needed capital.

⁴¹ Aleksinac, Blace, Knjazevac, Leskovac, Novi Pazar, Prijepolje, Prokuplje, Sjenica, Tutin, Vlasotince and Vranje

The table below lists projects and results in each of the municipalities directly assisted this year:

Table 21: Ongoing YEAP Projects and Results in FY12		
DIRECT ASSISTANCE TO YOUNG ENTREPRENEURS		
Municipality	Actions	Key Outputs and / or Results
Aleksinac	Two separate projects: one provides direct service grants to existing young business owners; the other provides equipment and technical assistance for rural youth to develop agribusinesses.	6 entrepreneurs given grants for services to build their companies 7 greenhouses given to rural agribusiness entrepreneurs
Leskovac	Two separate actions all targeted to support the start-up and expansion of youth-owned business that register their companies. Grants for equipment and creation of a youth-owned textile cooperative.	3 new companies 1 existing company expands 13 new jobs created
Novi Pazar	Support to existing or start-up youth owned businesses. Five companies to receive \$2,500 with the young owners adding another \$1,500 investment in their companies' expansion.	5 companies to receive grants
Prokuplje	Start-up grants for youth-owned businesses that register their companies.	4 new companies 13 new jobs
Vranje	Business plan competition, 5 winners receive direct grants for expansion	5 existing companies expand
EMPLOYMENT SKILLS ENHANCEMENT		
Blace	Public-private partnership to revitalize region's agribusiness capacity. Open a Farming Development Center with local dairy; train 30 youth in animal husbandry and 15 young people as veterinary technicians.	3 new jobs
Prijepolje	Train and certify 10 youth to become tour guides	10 new jobs
Sjenica	Specialized technical training for 10 youth in welding – an identified professional need in the region.	10 new jobs
ENTREPRENURSHIP EDUCATION AND SUPPORT		
Municipality	Actions	Key Outputs and / or Results
Tutin	Start-up equipment, training and professional coaching to young people starting honey production companies. Targets rural youth.	15 new companies
Vlasotince	Start-up equipment, training and professional coaching to young people starting honey production companies. Targets rural youth	10 new companies
INFORMATION DISSEMINATION		
Municipality	Actions	Key Outputs and / or Results
Knjazevac	Youth Outsourcing Center to link employers and youth	45 youth targeted for jobs

In addition to the 11 municipal YEAPs described above, the eight communities to begin implementation in the next few weeks plan the following actions and results.

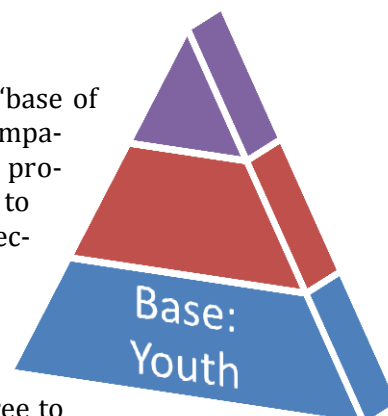
Table 22: Planned YEAP Projects and Expected Results in FY12

DIRECT ASSISTANCE TO YOUNG ENTREPRENEURS

Municipality	Planned Action	Expected Results
Aleksandrovac	Direct support to young people wanting to start and register a business. Application and selection process is completed. Call for proposal published	5 new companies created
Bujanovac	Create a permanent municipal fund dedicated to youth-owned businesses, entrepreneurship education and technical assistance for entrepreneurs. Application and selection process ongoing.	10 new companies created 10 new jobs Permanent municipal fund for youth entrepreneurship
Krusevac	Direct assistance to youth-owned business to help them expand and hire new workers. Application and selection process is ongoing.	2 new companies 5 new jobs
Kursumlija	Direct grants to support youth-owned, start-up businesses.	Call for proposals published
Presevo	Support to mature companies to help them develop new employment opportunities for local youth.	5 new jobs (minimum)
Priboj	Pre-adoption process completed	YEAP to be adopted in October.
Sokobanja	Skills enhancement to develop region's tourism industry. Call for proposals to be written.	15 youth trained to start tourism businesses 15 youth trained to organize and manage tourism association
Vladicin Han	Direct financial and technical support to start youth-owned agribusinesses. Application and selection process is ongoing.	3 new youth-owned agribusinesses provided technical assistance to start agribusiness. 3 new jobs.

II. SUPPORT TO YOUNG ENTREPRENEURS

The Economic Security program continues to provide assistance to “base of the pyramid” businesses, an activity initiated last year. *Base Tier* companies are start-ups that are deemed ready to benefit from some of the program’s standard package of business support previously provided to more- established businesses. All were identified in early FY12. Selection criteria were based on companies’ total revenues and human resource and operational capacity that suggest they can benefit and grow through the standard business support assistance package offered by the Economic Security team. The companies have owners who are 35⁴² or younger, proactive and interested in growth and agree to cooperate with the program’s existing supported firms.



At the end of 2011, the ES team conducted assessments in South Serbia and Sandzak to identify potential beneficiaries and businesses for cooperation and support.

In South Serbia the assessment covered the communities of Bojnik, Bosilegrad, Bujanovac, Crna Trava, Lebane, Leskovac, Medvedja, Vladicin Han, Vranje, Vlasotince, Presevo, Surdulica and Trgoviste; in Sandzak it covered Nova Varos, Novi Pazar, Priboj, Prijepolje, Sjenica and Tutin.

Following the assessment, 34 companies were invited to join the Program’s intensive support activity; 29 have become actively engaged.

The Economic Security team has developed a package of technical services to be offered to the Base businesses that includes:

1. Marketing, Management and Sales Trainings
2. Improving Marketing Material, Labeling and Packaging
3. Access to Start-up/Capital Funds

A description of each follows.

A. Development of Modern Business Skills

1. Management and Sales Training

Just as it delivered for its top and middle tier companies, the ES team launched its intensive support for youth-owned businesses with business skills development. Management and Sales trainings were delivered to participants in both South Serbia and Sandzak during the previous reporting period⁴³.

The management training showed the young business owners how they can improve their business and grow from startup to young company to a business employing other young members of the community. Among the participants were young people seen as successors in existing

⁴² For this category Youth is considered up to 35 to align our activities with other Ministry of Youth and National Employment Services efforts in this field.

⁴³ Also, the Life Cycle Management seminar for more established businesses was attended by a total of 29 young managers from the two regions; 31 young owners participated in the sales seminar from the two regions.

family companies so part of the emphasis was on introducing a second generation to company management to foster longevity and sustainable growth among family businesses.

The sales training focused on “closing the deal.” It introduced sales techniques and how to develop productive sales relationships. It helped the young entrepreneurs refocus their thinking about sales to their products rather than to view sales as part of the company’s operations or the customer service chain.

During the current reporting period, the complementary marketing seminar was delivered to base tier business, completing the core business functions education that the young entrepreneurs need – how businesses succeed and what they, as owners, must know and do to build companies that continuously grow and adapt to changing market demands.

2. Marketing Training

ES project service provider EDGE delivered Marketing Planning Strategies and Tactics seminars in Novi Pazar and Vranje. The Novi Pazar session, held March 29-30, was delivered to 12 participants; most represented the apparel and dairy industries in Sandzak. In Vranje, 14 participants, mainly from South Serbia’s light manufacturing industry, attended the April 2-3 session.

Both seminars were evaluated by attendees on standard ESP evaluation forms and received high average marks on every key performance indicator.

Table 23: OVERALL SATISFACTION OF MARKETING TRAINING TO YOUTH	 <p>Marketing Training, Novi Pazar March 29-30, 2012</p>	 <p>Marketing Training, Vranje April 2-3, 2012</p>
General impression of training (scale of 1-5)	4.4	4.8
Average understanding of information (1-5)	4.4	4.8

As a requirement of the training, participants wrote company marketing plans and sent them to both the ES youth support team and EDGE consultants for evaluation. For most of the young business owners this was the first marketing plan they have written and the feedback and guidance from the service provider will allow them to use the plans to develop marketing materials and plan marketing activities.

Trainers’ Conclusions and recommendations

The trainings successfully introduced modern marketing techniques to the young entrepreneurs and each now have formal marketing plans, complete with market research, competition analysis and prioritized actions with measurable goals. The focused, planned approach and the evolving economic conditions within their regions give the firms a reasonable opportunity for sustained operations while contributing to the overall economic growth of their communities.

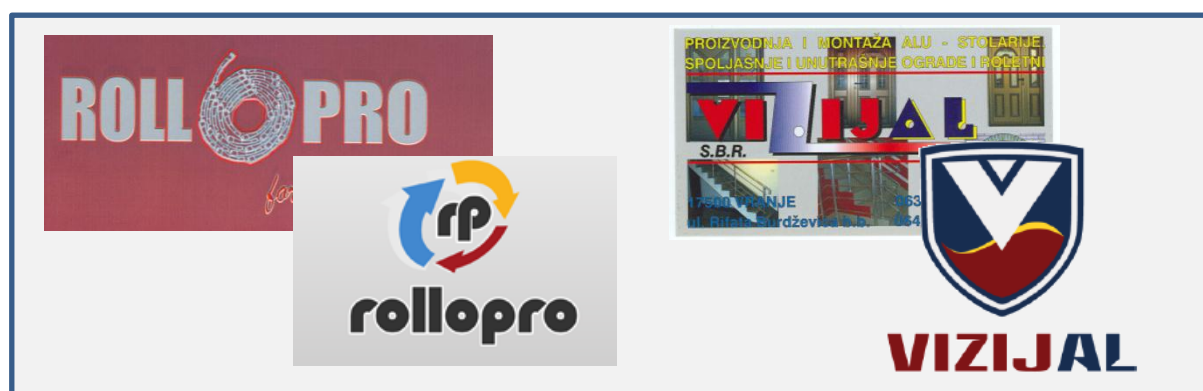
Recommendations for additional marketing education are to focus on the topics of branding, pricing, promotion and distribution.

B. Improving Marketing Material, Labeling and Packaging

New businesses often exhibit extremes in marketing or packaging materials. Either they overspend without testing the needs or final composition before going to press or they underspend and fail to produce marketing products that help establish their brand value. Marketing and sales cannot be separated, especially for a new business; potential customers need quality information and professional presentation for positive product awareness to stimulate sales. Consequently, investing in professionally prepared materials can provide strong returns. The ES team determined 25 of the youth-owned businesses were eligible and would benefit from the improved marketing materials.

Following the standard request for proposal process, the ES program selected professional service providers (Bluewaters and Kecnet) to deliver direct support to selected companies. During this reporting period, the businesses will work with consultants to improve and develop new marketing materials targeted to customers and markets identified in their marketing plans. For a few of the selected companies, the program will provide additional support to develop new company websites to improve overall design and quality and add multi-lingual content. By the end of the calendar year, the materials will be completed and ready to be used.

FIGURE 10: NEW VISUAL MATERIALS FOR SOUTH SERBIA YOUTH-OWNED COMPANIES: BEFORE AND AF-



C. Access to Start-up/ Capital Funds

Just like their more mature and larger business counterparts benefiting from the program's business support packages the past four years, Base Tier companies can face limited potential growth because they lack information and knowledge about the procedures and application processes to access start-up and capital financing. The Economic Security Project contracted a consultant to reach out to its selected Base Tier startups and existing firms interested in securing capital. The project service provider assessed their potential and helped them prepare applications to the Development Fund of Serbia. Following the visits, the consultant prepared an analysis of the companies' eligibility for government resources and 10 firms most likely to apply successfully for the loans are supported in the application process. The results of this activity will be known by the end of the calendar year.

D. Integration with Well-established Businesses

The ES project established actions that would link its newer, youth-owned businesses with promising established companies to create business-to-business opportunities that would help each side thrive. In April, the Economic Security team prepared six of its youth-owned supported companies, Nimeti, Lindi, Unikat, Becki, Vizijal and Mobi Alu-Max, to join the project's supported light manufacturers at the annual Belgrade Construction Fair, April 24 to 28. This gave the young owners the chance to observe their first fair and gain experience in fair sales, negotiations and presentation while being mentored by the established manufacturing companies, Tobler, Celiku, Termomont and Dekor M&V. The fair has produced nearly \$5 million in revenues over three years, helping key ES-supported companies grow from start-up to multi-national exporters.

Three of the six young business owners reported direct, short-term benefit from their study tour/business mentoring opportunity.

Vranje-based Vizijal, a window manufacturer, learned of a product that efficiently and attractively uses mosquito netting as a window and is adding it to its new product line. In addition to building a new network of business referrals through contacts with the ES project's mature businesses, Vizijal also opened business-to-business sales discussions with a window parts manufacturer, Stublina from Aranđelovac; Vizijal believes it found a new supplier of quality, affordable window locks and hinges to improve profit margins.

Presevo-based Becki, which manufactures metal construction site materials (work tables, ladders, etc.), strengthened its relationship with its Presevo neighbor company, Tobler, by learning how the scaffolding company used the Belgrade Fair and other regional fairs to become a multi-national firm. The young company has decided to enter a trade fair on its own next year.

Fence manufacturer Unikat of Bujanovac connected with ES-supported Celiku, also of South Serbia. It also built relationships with two new domestic and one international supplier to purchase more affordable materials to reduce overhead costs without an impact on quality. Unikat is investigating opportunities to attend a trade fair on its own in 2012.

The fair's impact for Nimeti and Lindi, both of Presevo, and Mobi-Alu Max from Vranje are more long term than immediate. Based on their experience, they re-affirmed their need for strong customer management, face-to-face sales and quality products and services as the strategy that can produce the revenues that will allow them to invest in fairs in the future. These companies believe that their attendance at the Belgrade Fair will allow them to be properly prepared and better able to manage the presentation, negotiations and sales during a fair.



*Nimetullah Fejzullahu
(youth business Nimeti)*



*Fatmir Latifi
(youth business Lindi)*



*Medat Zulfiu
(youth business Zeniti)*

The Belgrade Construction Fair built on the project's efforts to link its youth-owned firms with its mature companies by supporting young entrepreneurs to learn about exhibition marketing, sales and negotiations from the veterans.

III. STRATEGIC PARTNERSHIPS

A. State University in Novi Pazar Career Center (SUNP)

Career Guidance Center Opening: State University of Novi Pazar (SUNP)

A three-year partnership with the State University of Novi Pazar has introduced groundbreaking practical experience opportunities for the region's students. Located in Sandzak, one of the country's most economically depressed regions, the city also is home to the largest concentration of youth in all of Serbia. Unemployment rates have run 10 percent to 20 percent above the national averages yet, culturally, youth from the region choose to remain home rather than relocate. That's a choice contrary to the norm for most Serbian youth who choose to leave their economically depressed communities.

Opening just a year after the ES-supported Audio-Visual production laboratory began giving SUNP students opportunities to produce print and video materials for local businesses and television studios, the university was able to complete the space for a state-of-the-art Career Guidance Center to complement its commitment to practical work experiences for its students.

The new facility is jointly funded by the ES project and the university. The ES project provided both financial support and equipment including computers and software totaling \$13,530 to launch the center. The university contributed space, office furniture and training for the center's staff.

In its first four months, partnerships created by the new Center led to real work experience for 66 students this summer. Nineteen public and private institutions offered the students hands-on opportunities related to their academic majors. Working through a newly created alumni database and nascent relationship with long-time ES internship activity partner, the Sandzak Economic Development Agency (SEDA), the new Center plans to significantly increase the number and type of professional experiences available for internships during the 2012-2013 school year.

Table 24: SUNP Career center Internship placements in Novi Pazar, Summer 2012

Company/Organization	Number of interns
AIK Bank	1
Avis Furniture	2
Denisstar Jeans	4
District court in NP	2
District Public Prosecutor's Office in NP	3
Djondic Construction	8
Elmir Construction	8
Elox Al Windows	1
Ikan Construction	3
Magistrates court in NP	1
Maxers Jeans	2
Municipal court in NP	8
Novi Pazar Health Clinic	4
NP Bureau for Urbanism	4
Public Prosecutor's Office in NP	1
Regional Radio TV	1
Turković Meats	3
Ukras AD Stoneworks	1
Zornić Dairy	2
TOTAL	66

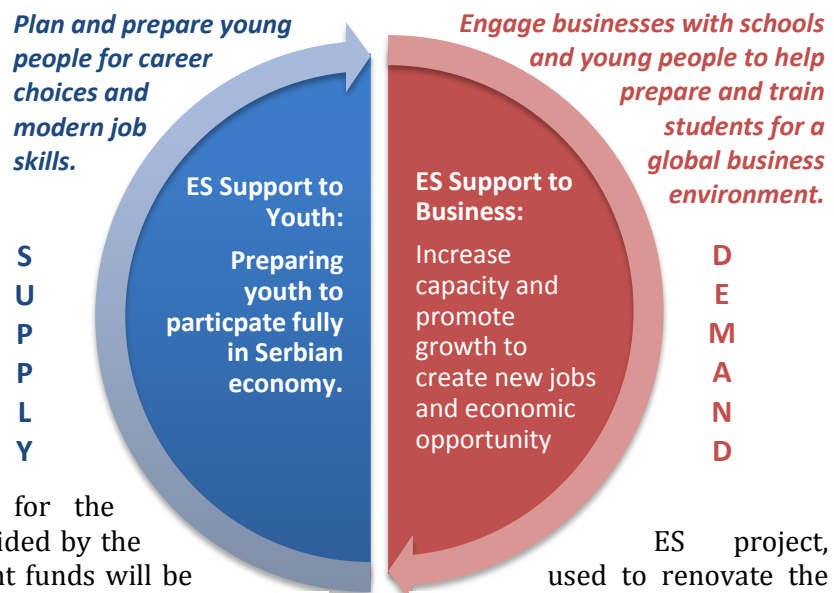
B. Presevo High School – Local Business Partnership: Internships and Jobs

The ES program facilitated a link between the Presevo

Technical High School and five of its South Serbian light manufacturers to establish a modern teaching facility to develop skills and expertise needed in the region's economy. The study-work experience approach is possible through the financial support of all three parties: the ES project, Presevo municipality and manufacturers Celiku, Zeniti, Tobler, Nura and Xenoplast.

Equipment and machinery for the training facility is being provided by the national and local government funds will be school's workshop and the manufacturers have agreed to open 30 paid internship positions for the newly trained students. A formal inauguration ceremony of the training facility is scheduled for October 2012.

FIGURE 11: ES PROJECT ALIGNS HUMAN RESOURCE POTENTIAL WITH BUSINESS DEMAND



C. Economic Faculty, University of Subotica – Bujanovac Career Center

On May 29, the ES program, the Municipality of Bujanovac and the Economic Faculty at the University of Subotica signed a Memorandum of Understanding to collaborate in the development of a Career Guidance Center for students in South Serbia. This unique partnership leverages support from a Vojvodina-based public university to deliver much-needed career planning services for its students attending the school's South Serbia branch campus in Bujanovac.

This center, too, will provide a range of work preparation services including introduction to professional and technical careers and the academic and practical requirement to pursue those careers. It also will give training in resume writing and interviewing skills. Opportunities for internships and job placement services also will be developed at the center.

The Economic Security Project will leverage its well-established relationships with companies in the region to identify and implement unique activities that complement the Center's goal to give students practical experience that supports their academic studies and desire for jobs at the end of their education.

The Serbian University system has an Internet-based career counseling network, *Akcent*, but this ES-supported partnership is a first-of-a-kind facility for small, satellite state university campuses. The University's branch campus will serve 200 students. As this small demonstration project to serve the activity develops, it can serve as a model for on-site, person-to-person services for other underserved, rural areas of the country. The new Center is scheduled to open in October.

D. Cooperation with HELP

The Economic Security Project partnered with the German NGO, HELP, to implement a multi-level assistance activity for small businesses in the South Serbian communities of Leskovac, Vranje, Bujanovac and Presevo and Novi Pazar, Tutin, Prijepolje and Priboj in Sandzak. Owners and managers of the small enterprises were provided the program's basic business training in plan writing, finance and marketing while HELP was able to give much-needed financial assistance to these start-up companies.



MoU signing with HELP, June 13, 2012

USAID will provide business-skills training to the 265 recipients of HELP grants worth \$3,000 each. The project is slated to begin in October and finish before the end of the year; of the beneficiaries, 20 percent will be younger than 35. Recipients will be selected from the municipalities of Bujanovac, Presevo, Leskovac, Vranje, Novi Pazar, Tutin, Prijepolje and Priboj. The cities are in areas where unemployment is as high as 43 percent, nearly double the national average of 24 percent.

Last year, ES and HELP worked together in a pilot program to help 159 people from Bujanovac, Presevo and Vranje launch their first businesses.

E. JAS Implementation

JA already closed agreements with some donors for the next school year (see table below) and opened negotiations with several others. Additionally, new contacts have been established with major companies including Beohemija, PepsiCo, Mercedes, Henkel/Ceresit, Coca-Cola, Heineken, etc.

To increase JAS' visibility among Serbia's three million diaspora who sent more than \$5.5 billion back to Serbia in 2011⁴⁴, JAS, working with its U.S.-based fundraising consultant, Robert Osborne, tested an online fundraising campaign. JAS is working with one of the strongest online fundraising sites, www.indiegogo.com. For a 13 percent fee, the company hosts JAS' information and manages the collection process. A two-month trial run between July and September 2012 netted the organization \$2,000. After this experiment, JAS expects to run another campaign next year, one supported with strong social networking and other person-to-person marketing to increase the amount raised.

Key JAS Objectives for 2012/2013

1. Increase reach to 250 schools and serve 10,000 students
2. Achieve a 50/50 balance of services delivered to primary and secondary schools
3. Continue to strengthen relationships with Ministries of Education, Youth, Finance and Regional Development
4. Establish a Center of Excellence in Nis

⁴⁴ Minister Srdjan Sreckovic, Ministry of Diaspora quoted in ANSAmед, January 3, 2012: "According to estimates from the National Bank of Serbia and World Bank, the foreign exchange funds sent by diaspora in 2011 reached a record level, higher than the one in 2009 and came close to a total of USD 5.5 billion."

USAID Direct Funding: Pre-award assessment

A pre-award survey of Junior Achievement Serbia (JAS) was conducted to assess JAS's capacity to become a direct USAID grantee. The survey process was a proactive step USAID took to determine whether JAS would be eligible for direct USAID funding under its USAID/Forward initiative. JA Serbia received the survey results in July and was informed of 19 issues related to management, accounting procedures and other accountability issues that needed to be addressed. The organization reacted immediately and already has completed several improvements. It is working with the ES program to complete all requirements before the end of the year.

For example, one of the issues cited was JAS' lack of a financial audit. JA has engaged the consulting firm Ernst & Young to conduct the group's first full financial audit, which Ernst & Young will perform pro-bono in September. JAS plans to routinely conduct audits as part of its financial management policies going forward. JAS is hopeful that USAID will agree to conduct another Pre Award Assessment in late 2012 or early 2013.

TABLE 25: PRIVATE SECTOR FUNDRAISING, SCHOOL YEAR 2012/2013 (START SEPTEMBER 1,2012)

Donor:	Amount	Status
AirBelgrade	\$1,350	Realized
Balkan Trust for Democracy	\$24,300	Realized
SAGA	\$1,350	Realized
INTEL and FERD (JA-YE SEP)	\$13,500	Committed
ORACLE	\$2,430	Committed
UniCredit Bank	\$6,750	Committed
Beohemija		Cooperation established
Dunav Insurance		Cooperation established
Heineken Serbia		Cooperation established
Intel		Cooperation established
Telekom		Continued Cooperation
ORION telekom		Renewed Contact
Citadel		Initial contact
Coca Cola		Initial contact
Henkel/Ceresit		Initial contact
Mercedes		Initial contact
NELT		Initial contact
PepsiCo		Initial contact
TeleGroup		Initial contact
Total	\$49,680	

YOUTH SUPPORT: IMPACT

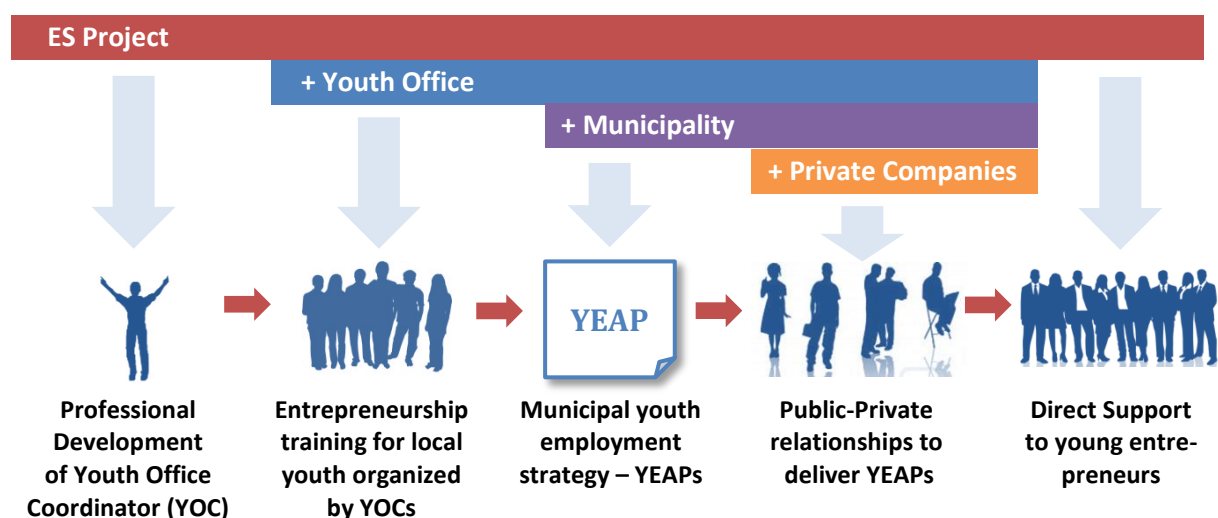
The Economic Security Project's mandate was clear: support the full participation of Serbian youth in the country's economy. The complexities of the many gaps between the desired end state and 2007's reality in Serbia demanded integration of multiple approaches. The country had no national strategy for youth. The Ministry for Youth and Sport was only formed in May of that year; therefore, no countrywide infrastructure for the management of youth programs existed, educational curricula did not align with the needs of the labor market and the lack of career guidance or professional development at the university or high school level meant too many youth believed they would be placed into jobs without any active engagement on their part. Perhaps most importantly, in the absence of a national economic development strategy, the simple lack of enough industry meant that not enough jobs existed for the country's workforce, adult or youth.

From 2007 through 2012, the project's year-to-year steps built stakeholder relationships in and out of national and local government; working together, these broad coalitions saw the creation of a countrywide local infrastructure of Youth Offices to manage youth issues, passage of a national law on youth as well as a national law on career guidance and counseling – the first time those terms were ever used in the development of Serbian law.

With the support of the nascent Ministry of Youth and Sport, the idea of municipal Youth Offices grew into the infrastructure the project needed to implement a mix of services targeted to local youth across Serbia. But rather than enter a targeted community with one-off events requiring only passive engagement from decision-makers, opinion leaders and young people, the program designed an approach that required first the personal and then the financial engagement of municipal leaders, youth, private companies and civic organizations.

The steps the ES project took were logical and each built to the next as seen in Figure 12.

FIGURE 12: BUILDING ENTREPRENEURSHIP AT THE LOCAL LEVEL



Since FY 2008, the ES Youth Support team has delivered professional training to four cohorts of Youth Office Coordinators. In that time, the team has delivered leadership, communications, marketing, logistics and introduction to entrepreneurship training to YO coordinators for all 118 full-time municipal Youth Offices. Ensuring that the new professional development became professional practice, the newly educated Youth Office Coordinators (YOC) were given the re-

sponsibility to recruit, organize and manage a seminar for youth in their communities who want to start their own business or strengthen an existing one.

The ES-developed entrepreneurship training program, *Business Planning and Financial Resources for Businesses*, teaches business basics, provides skills to evaluate business ideas, offers information on raising capital and introduces participants to the personal attitudes and values common to successful entrepreneurs. The ES team works with the YOCs to target young people with a strong interest and personal motivation to take on the challenges of business ownership.

Since 2009, the Economic Security Project has trained 1,831 young people in the basics of business and how to apply for start-up funding. A survey of all participants tested whether training participants successfully improved their economic status either through obtaining employment or starting a business. For those participants who owned an existing enterprise, the program wanted to know if they were able to improve it with a well-developed business plan or through successful application for capital.

There was a 25 percent decrease in the unemployed or student status among participants surveyed.⁴⁵ Of those with new employment status, two-thirds found jobs and a third were young people opening a new business. As a result, these 387 youth are more economically independent and secure than before the training; they also are able to provide financial support and opportunity for their families. These results provide significant impact for the individuals and communities that achieved them as they are gained at a time when Serbia struggled first with the global economic crisis and then its own economic decline and climbing unemployment countrywide. Table 26 reflects data for the entire group of trainees inferred by those responding to the survey and highlights the positive impact the entrepreneurship training has had on its participants.

TABLE 26: ENTREPRENEURSHIP PARTICIPANTS EMPLOYMENT STATUS BEFORE AND AFTER ES PROJECT TRAINING						
Fiscal Year	Before Training			After Training		
	Unemployed, students, other	Employed	Business owners	Unemployed, students, other	Employed	Business owners
FY 2009	395	133	92	230	234	156
FY 2010	336	51	26	273	82	58
FY 2011	403	83	31	326	142	49
FY 2012	234	33	14	201	45	35
TOTAL	1,368	300	163	1,030	503	298

A. Who starts a new business?

Across the four years, the results also reveal that those participants who were more likely to pursue self-employment or business ownership as a path to work or professional opportunity were those unemployed at the time of the training. Those already employed at the time of the training were less likely to risk business ownership; this seems reasonable as the turbulent economic situation has seen a reduction in job creation and made the environment for start-ups

⁴⁵ A total of 792 of the 1,831 (43%) total program training participants responded to the survey, providing Economic Security a statistically significant sample to draw overall conclusions. Of the sample, 22% were from the 2009 participants, 61% of 2010 participants responded, 51% of 2011 and 51% of those attending this spring completed the survey.

more difficult, potentially influencing decisions to retain existing employment versus risking a new business venture. This was particularly true for 2012 participants; nearly all new businesses were started by those without other employment opportunities.

TABLE 27: PARTICIPANTS WHO STARTED BUSINESSES				
	FY09	FY10	FY11	FY12
Employed	40%	10%	0%	9%
Unemployed	40%	80%	80%	91%
Students	20%	10%	20%	0%

B. Business Start-up and Sustainability: Accessing Credit

The *Business Planning and Financial Resources for Businesses* seminar devotes significant time on how to locate and successfully apply for start-up funding. The youth support team tracks its participants from each training year. While not all entrepreneurs needed credit to start up or expand their business, many do. Among all participants surveyed across the training's four years, 70 participants sought funding for their business idea or plan developed as part of the training. Of those, nearly 50 percent (34) were granted funding, receiving more than \$285,505.

TABLE 28: ENTREPRENEURSHIP TRAINING PARTICIPANTS 2009 -2012: APPLICATIONS FOR FUNDING				
	FY09	FY10	FY11	FY12
Number of applications	26	24	13	15
Approved applications	8	12	8	11
<i>National Employment Service</i>	2	6	4	3
Amount	\$4,312	\$12,238	\$8,289	\$4,948
<i>Serbian Development Fund</i>	3	4	0	1
Amount	\$69,588	\$46,374	\$0	\$6,598
<i>Other Sources</i>	3	2	4	7
Amount	\$18,141	\$73,606	\$8,421	\$32,990
Total Amount	\$92,041	\$132,218	\$16,710	\$44,536

This table reflects only data for those participants responding to the survey.

These results must also be viewed within the larger economic context. Although the total dollar value of awards has varied from year to year, the year-to-year increase in percent of participants receiving funding (30%, 50%, 62% and 73%, respectively) is significant and demonstrates the youth support team's effective training adaptations to adjust to the government's funding availability and new restrictions. The economic conditions in Serbia have influenced available resources for entrepreneurs. The Development Fund of Serbia – the country's primary vehicle for small business loans – cut funds for start-ups by 80 percent between 2009 and 2012⁴⁶. Today, only 5 percent of its total resources are targeted to new enterprises. Additionally, new lending criteria adopted by the Fund now limiting collateral only to fixed assets such as registered property (land, home or physical business location) will be especially restrictive to young business owners who are far less likely to have the necessary assets.

Furthermore, the economic climate challenges the survivability of private enterprise in Serbia. In 2009, for every 10 closed companies, 28 new ones opened; among sole proprietorships, for 10 that shut their doors, 11 opened. In 2010, the ratio was reversed: for every 10 companies that closed only 10 new started and among sole proprietors, as 10 closed, only nine were opened. The trend indicates entrepreneurial activity in Serbia is slowing in the face of a challenging macroeconomic climate, further hindering efforts to encourage youth entrepreneurialism.

⁴⁶ Ministry of Economy and Regional Development

C. YEAPS: Solving youth unemployment at the local level

The Youth Entrepreneurship Action Plans let local communities take responsibility for the creation of customized strategies to solve their youth employment problems and to promote the creation of youth-owned enterprises. In the past three years, the ES Youth Entrepreneurship Action Plan activity has spurred 33 municipalities to initiate 137 actions that delivered direct benefits to 15,362 local youth. Ensuring that local YEAPs will move immediately from adoption to implementation is what differentiates the ES-created activity from other local efforts to adopt youth strategies. As proactive as the implementation of YEAPs are, the ES-planned steps required of participating municipalities to create the YEAP are a catalyst for permanent change within each community. Municipalities must budget funds, create public-private partnerships, hold open discussions to receive public input and then forward their plans to their local parliament for a formal vote.

TABLE 29: YEAP PROJECT – ES SUPPORTED AND INDEPENDENT

BROAD CATEGORY OF ACTIVITY	ES + YO		YO INDEPENDENTLY		TOTAL	
	PRO- JECTS	BENEFI- CIARIES	PRO- JECTS	BENEFI- CIARIES	PRO- JECTS	BENEFICIARIES
Employment skill enhancement	9	449	36	3,025	45	3,474
Entrepreneurship education	20	726	24	1,007	44	1,733
Direct support to Young Entrepreneurs	13	139	9	280	22	419
Information dissemination	11	5,955	15	3,781	26	9,736
TOTAL	53	7,269	84	8,093	137	15,362

Equally important is the role YEAPs play in challenging Serbia's youth to take responsibility for the direction of their future by providing education, training and access to new resources. As part of the activity design, commitments are made between municipal leaders and the ES project to house YEAP management with Youth Offices under the leadership of the trained YOCs. Strengthening Youth Offices' responsibilities in the policy development and delivery of employment information and entrepreneurship resources signals a shift in attitudes among youth from waiting for the future to happen to assertively influencing the direction of their personal futures.

YEAP RESULTS: 2009-2012

Municipalities have found YEAPs to be affordable even as local budget tightening has become an annual exercise. Between April and September 2012, in addition to the 19 municipalities receiving ES project support for YEAP implementation this year, 13 additional municipalities allocated resources independently to undertake a total of 26 new YEAP-guided projects on their own that reached another 1,593 youth.

In the past three years, the Economic Security Project selected 33 Youth Offices to undertake the YEAP activity. The process has permanently expanded municipalities' networks of local, national and international stakeholders while the implementation links innovative solutions to reduce youth employment to a broader network of youth – many of whom are underserved by other programs.

Since its introduction in 2010, and through partnership with the project, 27 municipalities have completed 53 projects and reached more than 7,000 youth. Independently of the project, through the municipalities' own efforts, another 8,000 youth have been reached. The final eight 2012 municipalities are preparing for implementation and concrete actions are to begin by October 2012.

The cumulative totals of youth reached to date can be found in Table 29, above.

As municipalities embrace local YEAPs as both a strategy to deal with youth unemployment and as a piece of their larger economic development plans, YEAP actions increasingly focus on youth-owned entrepreneurial pursuits. The young people who start a business generate earnings for themselves and provide greater economic security for their families. Direct business support and professional and technical education coupled with entrepreneurship education are tools municipalities use in the YEAPs to help their young business owners stabilize in the near term and grow and expand over the long term. This creates the jobs and economic impact each of the ES-supported communities desperately need.

As the ES youth support team monitored the YEAP activity over three years, it found that most communities' YEAP actions focused on four core approaches to addressing youth employment at the local level:

- 1) Direct support to young entrepreneurs;
- 2) Employment skill enhancement;
- 3) Entrepreneurship education;
- 4) Employment and entrepreneurship information dissemination.

The projects for 2012 reflect this pattern. Overlap does exist across the four categories since all are designed to make youth more competitive in getting and keeping employment and to introduce and encourage them to engage in entrepreneurial endeavors both professionally and personally. This is especially true with 2012's third cohort of municipalities.

As municipalities and their Youth Offices implement YEAP actions annually, sophistication in action design is developed and strong business partners emerge to allow for innovative solutions. Thus, 2012 actions most often cut across categories to offer local youth direct support, business mentoring and coaching, skills training and access to information. Through the implementation of its multi-tiered support structure (discussed in the Business Support chapter), the ES project understands that ongoing and combinations of support tailored to start-up businesses' needs produces long-term results.

The following discussion highlights the 2012 municipal YEAP action. A highlight from each category is used to demonstrate the potential economic impact the solutions can deliver. The data also show how municipal actions cut across the four categories to serve different groups of youth or to support start-up youth-owned enterprises in several ways.



15,362 YEAP beneficiaries to date

33 Youth Offices with active YEAP

137 separate projects to date

YEAPs are unique, innovative and use both the process and the end result to address the causes of youth unemployment.

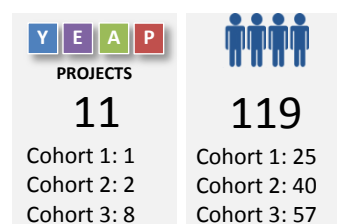
Direct support to young entrepreneurs

To overcome obstacles to youth entrepreneurialism, Serbia must embrace fundamental changes: individuals must act rather than wait for someone else to find solutions. The YEAP activity is proving that young people, municipal leaders and public, private and civic groups recognize that need and promote entrepreneurship locally.

Five of the 19 of the 2012 YEAP communities have targeted eight actions that help young people who committed to becoming business owners⁴⁷.

Specific Direct Support Actions: One of the most critical problems facing Serbian businesses is access to financing; it is especially challenging for young business owners. Through the 2012 YEAP activities nearly \$51,000 is directed to help 31 youth either get their start or receive funding to move existing businesses forward and create new jobs. The efforts are expected to open job opportunities for 26 unemployed youth people.

South Serbia's Vranje municipal YEAP illustrates how direct support, even small direct grants, can expedite growth and ensure survivability in difficult economic times.



FOCUS ON YEAP: Vranje

Vranje's YEAP jumpstarts five youth-owned companies

Five existing youth-owned manufacturers emerged from a competition with \$2,000 grants to help their companies grow. Vranje's YEAP hosted a business plan competition to target youth-owned companies poised to expand if only they had access to financial support. Each young owner also had to invest a minimum of personal resources. The five companies, Stin, Vizijal, Invest Trade, QSP Solutions and Nisic, make products including software, furniture, energy-efficient doors and windows, and decorative home accessories. These young owners took the "business ownership leap" just as the economic crisis gripped and settled in South Serbia. Each has struggled to survive and has seen its sacrifice and commitment result in slow but steady growth. The YEAP grants deliver resources for expansion that are otherwise unavailable but vital to long-term success and the city's strategies for youth employment. Four of the five companies have participated in ES-sponsored education in management, marketing, and sales.



Five Vranje young entrepreneurs receive business development grants through the municipal YEAP. Recent cuts and added restrictions by the Development Fund make it harder for young owners to find much-needed start-up capital. Financial support through YEAPs helps close the gap.



⁴⁷ Aleksinac, Leskovac, Novi Pazar, Prokuplje, Vranje

Employment skill enhancement

Initially, municipalities focused employment education on what is known in Serbian as business “bonton” or basic work protocol. Without a tradition of internships or even entry-level opportunities, employers routinely identified the need for young workers to enter the workplace with better core skills in communications, professional behavior and team work.

	
PROJECTS	
10	424
Cohort 1: 1	Cohort 1: 25
Cohort 2: 6	Cohort 2: 334
Cohort 3: 3	Cohort 3: 65

Youth Offices matured into information and youth services centers as basic work protocols became common knowledge for young job seekers. Also, as municipalities developed a broader vision for the YEAPs’ role in economic development, the skills enhancements offered have become specific job training programs targeting technical skills needed for the local economy.

Specific Skills Enhancement Actions: Three municipalities⁴⁸ developed specialized training for 55 unemployed young people: 10 in welding, 10 as tour guides, 15 in veterinary technology and 30 in animal husbandry. The trainings are formal, certified professional education offering skills for a career in Serbia or elsewhere.

Blace used its YEAP as part of a larger vision to strengthen the area’s agribusiness. It is a model for how the local stakeholder network, organized during the YEAP process, delivers returns far beyond the \$5,000 financial commitment each community must make to start the activity.

FOCUS ON YEAP: Blace

YEAP teaches 30 cattle farmers modern methods; 15 others veterinary skills

Dairy production in Blace got a boost as the municipality leveraged a public-private partnership to train young agriculture entrepreneurs in modern breeding and milk production technologies. Built around the new Farming Development Center opened by Blace’s Lazar Dairy, the project will train 30 young area farmers in modern animal husbandry and feeding strategies to improve raw milk production quantity and quality. The company also will train 15 unemployed area youth as veterinary technicians –jobs vital to Serbia’s agriculture; three will be hired at the center.

Blace’s YEAP links Economic Security’s experience with business development in Serbia: Lazar Dairy is an expanding, mature business that needs more raw product but local farmers only have a few dairy cows and lack knowledge and resources to rapidly expand herds. Municipal-funded education and ES project delivery of ultrasound equipment to support improved breeding technology – and the privately funded development center – will improve the overall industry, help people be qualified for new, quality jobs and strengthen family farms.

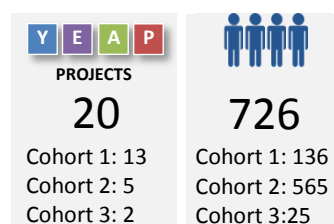
USAID/Serbia Economic Office Growth Director Susan Kutor attended the opening of Blace’s modern Farming Development Center, a public-private partnership inspired by the ES program YEAP activity. It supports the municipality’s agribusiness development strategy.



⁴⁸ Blace, Prijepolje, and Sjenica.

Entrepreneurship education and support

Moving from simply introducing young citizens to entrepreneurship as a viable professional choice to identifying specific young people with strong business ideas and providing access to the knowledge to launch, manage and grow a company is the shift in thinking among participating municipalities and YOs toward entrepreneurship education. Additionally, entrepreneurship education in 2012 is less a standalone category than a component of all actions, especially among the youth who are given direct support to start or expand an enterprise.



Among the 19 2012 YEAP municipalities, a total of 16 plan to include an education component in their actions and two have actions specifically designed to deliver entrepreneurial support. Tutin and Vlasotince have started projects that rely on educating youth in the basics of entrepreneurship as the pathway to owning their own business. Twenty-five new businesses are to start as a result of this activity.

Specific Education Actions: Entrepreneurship education action comes in several forms. It has expanded to include a voucher system that gives young business owners resources to purchase expert services like financial planning and management or website development – all providing information and knowledge needed to make important business decisions. Coaching and mentoring elements also have emerged. Often the young business owners are given access to coaching or mentoring for half a year to better ensure the survivability of the new enterprises.

The municipality of Vlasotince is a clear example of aligning direct support with entrepreneurship education and support as an investment in the potential long-term economic impact of local youth-owned businesses.

FOCUS ON YEAP: Vlasotince

Municipality of Vlasotince to help 10 young entrepreneurs stay in Serbia

Ten unemployed Vlasotince youth will receive training, equipment and ongoing coaching support to open their own honey production companies. The 10 start-up companies will participate in three days of technical education in beekeeping and the honey-producing business. They also will tour and study operations at one of the country's most successful apiaries. Through the support of the ES project, each new owner will receive beehives and other basic equipment to begin work immediately. Over the next six months, they also can access coaching to support their early success.

Through this YEAP, Vlasotince targeted one of its most significant problems – youth out-migration to find opportunities that they are unable to find in this rural area. The new agribusiness action offers this group of young people the economic opportunity to remain in the region and build security for themselves and their families.



Ten rural youth from Vlasotince receive equipment, training and coaching to open and own honey production companies. The opportunity is part of the municipal YEAP.

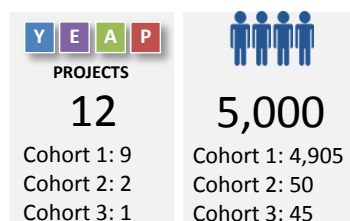
Improved information dissemination

This category may show the greatest growth in thinking among YEAP municipalities and YOs. The 2010 introduction of YEAPs saw many actions that tackled the dearth of understanding for and information about entrepreneurship. The first step: market the concepts of business ownership and professional development.

Today, that information is commonly available through Youth Offices and other municipal entities. Local YEAP networks implemented actions to create permanent information centers and recruit and train volunteers to provide help. With Youth Offices developing into the entrepreneurship and job search information centers envisioned by the ES project, it is possible for them to build on that role.

This category has become cross cutting, but the municipality of Knjazevac designed an action that shows how municipalities can link business needs with youth searching for professional experience. Like all YEAP projects, it is replicable and sustainable.

Specific Information Actions: While prior YEAPs have developed databases to connect employers with job seekers, Knjazevac is opening an “outsourcing” center that will serve as a regional job placement center.



FOCUS ON YEAP: Knjazevac

Partnership nets Knjazevac youth entrepreneurial and job information center

The municipality of Knjazevac partnered with two nonprofit youth organizations to open a Youth Outsourcing Center serving the region’s young people and businesses. Companies can post and fill job openings with local young people; youth can find job information and promote their skills to local businesses.

The YOs’ growing capacity to educate young people about entrepreneur opportunities dovetailed with the YEAP’s aggressive approach to helping youth and their towns improve their economic standing. The partnerships between YOs, municipalities and local groups should have lasting economic impact.



Knjazevac Youth Office opens Youth Outsourcing Center to promote the role of employers in creating employment opportunities for youth and to engage youth in training and research to become better prepared for work.

Through the YEAP process, municipal leaders have shown a strengthened commitment to Youth Offices as leaders of local youth policy. Working with these young leaders, local governments have carved space in their limited budgets to initiate solutions to unemployment, often one company at a time. These small investments in small firms and committed young entrepreneurs can have long-term resounding effects throughout Serbia

D. BASE TIER BUSINESS: SALES RESULTS

Using lessons learned for its youth entrepreneurship trainings and its intensively supported top and middle tier companies, the ES project offered a group of young business owners in South Serbia and Sandzak the opportunity to participate to receive its integrated package of training and technical assistance. The 29 companies joining the program in 2011 were selected through the same process as used for the more mature companies to select firms with a high potential for success.

These young entrepreneurs (35 years old or younger) form what the project refers to as its Base business tier, which represents the foundation for an expanding and healthy private sector capable of adding to Serbia's security through growth and job creation. They are engaging in the same highly integrated intensive support package of training and demand-driven technical assistance appropriate for the size of their companies and identified market opportunities.

They also have supplied sales data for the program's evaluation of the cause and effect relationships between support provided and impact on business development and sales growth. All 29 companies provided complete company sales data from the year they were founded. As a consequence 2011 is the only full year of data plus the first eight months of 2012 projected for the full 12 months.

Despite the limited data the observations show excellent results. The initial observation is that the most fragile period for these small enterprises is the first two years. The first look also leaves an impression that the young entrepreneurs hung on to their business idea and goals through the most difficult economic times since Serbia began its transition to a market economy in 2000. In the face of those challenges, the key findings are:

- 22 of the 29 companies experienced revenue growth during their years in business.
- The average sales growth using a weighted average is 42 percent between 2011 and 2012.
- None of the companies has gone out of business – a significant result given that more than half of the companies are in the light manufacturing sector, a sector that has been among the most affected by the economic crisis.
- Momentum toward exports is developing. In 2008, 13 of the participating companies were in business and just 3 of them (23%) had sales from exports; in 2012, 11 of the 29 companies (40%) have sales from exports.

As discussed earlier in this chapter, the climate for the survivability of private enterprises is not favorable and as the ratio of business closings to businesses starting declines it demotivates many youth from assuming the risk of entrepreneurship. The sharp cuts by the Development Fund in start-up funds and highly restrictive requirements for collateral and demonstrated earnings demanded by banks give too few youth the opportunity to take the risk. The ES project base companies offer a snapshot of what may be possible given access to education and financial support for technical assistance to help them make the right business moves.

E. Career Counseling Centers: Linking students and employers

Tackling the persistent problem of youth unemployment has guided the Economic Security Project to implement entrepreneurship trainings, YEAPs and base business support as its primary activities. But as the project works to shape a more informed and dynamic workforce, it also was aware of the underlying needs of young people now in school to prepare themselves for their place in Serbia's economy. Career counseling and professional development are ideas new to Serbia's educational system and have been introduced only recently during its transition to a market economy. While not a core ES activity, the project used its strong relationships with the government of Serbia, schools and other international development agencies to become a pivotal partner in the initiation of a variety of career counseling activities in high schools and universities.

As a companion activity to the ES project's business support and community YEAPs, school- or university-based career counseling has a role in preparing students for today's career options and opportunities. The project leveraged its opportunities for career counseling and internship activities to supplement its business and youth support because they also serve to bridge the many gaps between the demands of Serbian businesses for a modern workforce and the preparation and education of the young people who will supply that workforce. The activities provide:

1. Guidance for students to prepare for a career path and identify and develop skills that lead to jobs in high demand;
2. Recruitment of employers to offer internships that give youth hands-on experience to complement their theoretical studies; and
3. Expansion of the universities' role. As they build relationships between career centers and local employers, universities become a resource to local business offering unique opportunities for students to perform real-world services for public and private institutions as part of their academic studies.

FIGURE 13: BRIDGING PROFESSIONAL DEVELOPMENT GAPS AMONG YOUTH

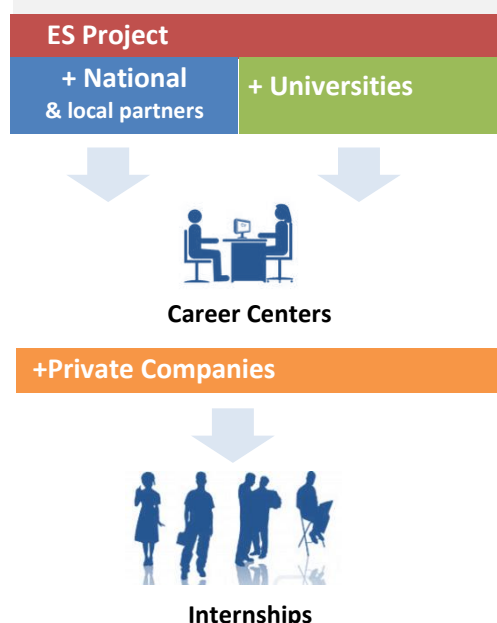


TABLE 30: ES PROJECT CAREER GUIDANCE REACH

INSTITUTION	POTENTIAL REACH
High Schools	16,854
Development Agency Led Internships (SEDA / PBDA)	15,500
Manpower Career Centers.	12,793
State University of Novi Pazar	3,500
International University of Novi Pazar	2,125
Agricultural School, Palilula	1,200
Bujanovac Branch Campus, University of Subotica	200
Total	52,175

During this reporting period, the Economic Security Project celebrated the official opening of a new Career Counseling Center at the State University of Novi Pazar (SUNP), making it the second such ES-supported career center in Sandzak.

In addition, with the signing of two memoranda of understanding with the municipalities of Presevo and Bujanovac, two smaller demonstration counseling-internship centers are being developed in those South Serbian communities. As a testament to the flexibility of the ES project's methodology, each of the three counseling center and internship activities begun in this reporting period were shaped using implementation models unique to their communities and implementing partners. All three of the efforts underway, however, grew as an outcome of the business support and YEAP activities in Sandzak and South Serbia. This integration of program activities delivers closer business-to-education relationships from the outset, ensuring near-term access to internships; at the same time, long-term alignment of employer workforce needs and educational preparation are built into the implementation design.

Over the past four years, the ES project has included career counseling, internship opportunities and job placement activities into its youth support strategies.

2008

Wrote manual on how schools, local governments or other public or private entities could start and manage internship activities.

2009

Facilitated with Ministry of Youth and Sport public discussion to move the National Strategy for Career Guidance and Counseling toward its eventual passage in spring of 2010.

2009

Partnered with Presevo-Bujanovac and Sandzak Economic Development agencies to implement internship activities during the summers of 2009 and 2010. In the two years, 90 businesses were recruited in South Serbia and Sandzak, giving 210 young people hands-on work experience.

2009

Facilitation of the first public-private partnership between the Serbian government to open three Manpower, Inc.-modeled career centers in Youth Offices.

2010

Implemented with Belgrade Open School Career Counseling *Training of Trainers* for 60 teachers and principals from 15 high schools to increase the presence of school-based counseling.

2010

First career counseling services for Novi Pazar students opened at International University of NP.

2012

State University of Novi Pazar opens career center. Between 2010 and 2012, 77 university students in Novi Pazar have received professional development training and 1,001 students have had at least one internship through an ES-supported career center.

2011 Summer Internship Closing Ceremony in Novi Pazar

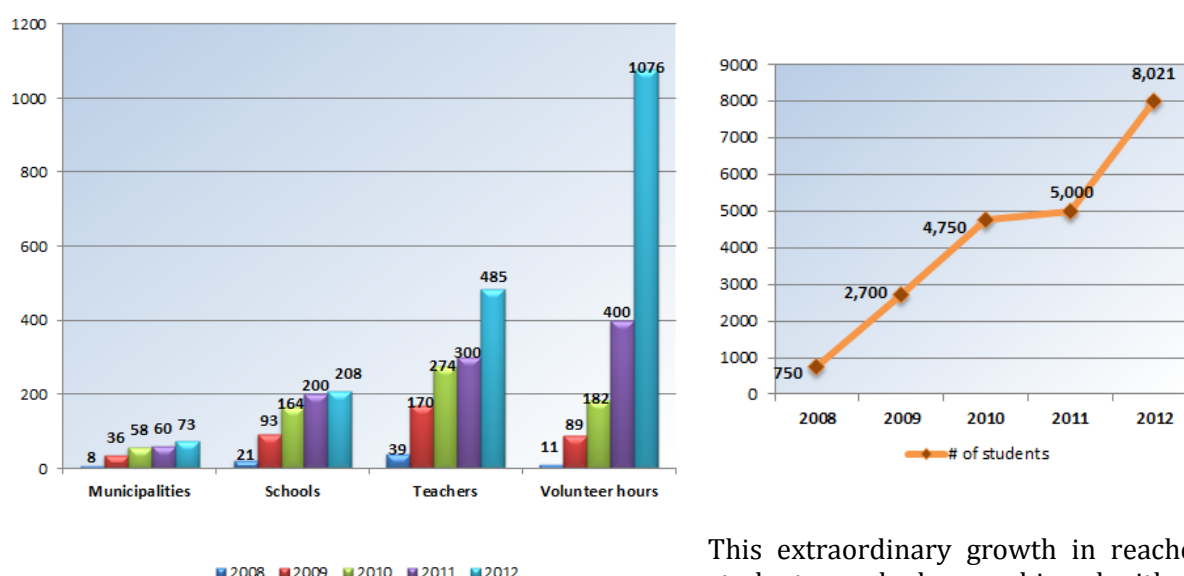


F. Junior Achievement Serbia Institutional Support

Supporting Junior Achievement Serbia's nationwide entrepreneurship education program helps the project provide Serbia's youth with the skills and knowledge to be more competitive – a key goal for the project. Despite all the issues in the local economy and their consequences to general fundraising, JA continues to grow. Figure 14 portrays the extraordinary growth of JA in Serbia in just the past four years.

This past school year, JAS programs were implemented in 208 schools with 485 trained teachers (350 secondary and 135 primary schools) and reached 8,021 students (4,646 secondary and 3,375 primary school students) in 73 municipalities across Serbia. Of the 485 trained teachers, 170 (140 primary and 30 secondary) were just trained this year to implement the programs. A total of 133 volunteers contributed 1,076 volunteer hours to deliver the broad reach of JAS programs and events to schools across the country.

FIGURE 14: GROWTH OF JAS BETWEEN 2008 AND 2012



This extraordinary growth in reached students reached was achieved without increasing funds. On the contrary, JAS' total funding was reduced, but efficiency has drastically improved, illustrating that the organization is maturing and is on the right track.

1. Improving efficiency

In addition to raising more private sector money and increasing its donor base, JA Serbia's growing professionalism is creating efficiencies while maintaining its highly recognized programming quality and program penetration. The year-to-year cost of operations from 2011 to 2012 show significant reductions in operational costs as seen in below. This increase in operational efficiency is why the organization was able to expand services to additional students in 2012 without increasing total costs for the project.

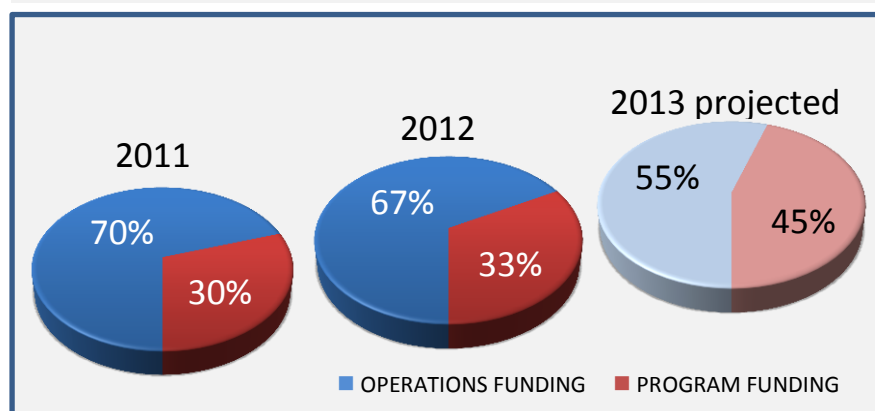
TABLE 31: JAS MANAGEMENT AND COST CONTROLS OPERATIONAL SAVINGS AND PROGRAM INVESTMENTS

#	CATEGORY	FY11		FY12		FY13 (PLANNED)	
1	Operations (fixed costs)	\$222,349	70%	\$169,985	67%	\$155,688	55%
2	Program	\$ 95,290	30%	\$84,955	33%	\$127,765	45%
	Total Budget (not including in-kind)	\$317,639		\$ 254,940		\$ 283,453	

For the next year, JAS anticipates it can continue to implement programs more efficiently and further reduce operational fixed costs, which will again lower the percentage of the total budget committed to operations. That will give the organization flexibility to ensure the quality and quantity of programming.

Efforts to reduce overhead are critical to the organization's fundraising strategy, especially when cultivating non-restricted funds. Corporations understand why unrestricted funds are necessary but no corporation wants to contribute to inefficiencies.

FIGURE 15: JUNIOR ACHIEVEMENT SERBIA FUNDING



2. Fundraising

Based on recommendations from its fundraising consultant, JA Serbia oriented its organizational structure to the identifying of prospects and securing contributions. The 67 percent growth in total funding dollars raised demonstrates the impact the renewed focus on fundraising has had.

Of course, to secure its financial stability, JAS must also continue to focus on non-USAID sources and unrestricted contributions that support JAS operations and long-term planning rather than resources dedicated to specific program events. JAS saw marked success in those categories during this reporting as well. In the 2011/2012 school year, the organization saw a 46 percent increase in non-USAID contributions compared to the last year. Not only have corporate contributions increased, but the proportion of dollars now tilts in favor of unrestricted contributions. In fact, in the 2011/2012 school year, the level of unrestricted, non-USAID funds reached 66 percent. The table below shows JAS' progress over the years in increasing the amount of unrestricted funding.

TABLE 32: JAS GROWTH IN NON-USAID FUNDING

#	TYPE OF NON-USAID FUNDING	SCHOOL YEAR			
		08/09	09/10	10/11	11/12
	In-kind & Restricted funds	\$56,090	\$78,279	\$58,187	\$43,335
	Unrestricted funds	\$0	\$20,647	\$30,604	\$85,941
	Total funds	\$56,090	\$98,926	\$88,791	\$129,276
	% Unrestricted funds	0%	21%	34%	66%
	Non-USAID Donors	4	9	17	20

JAS' current non-USAID contributors is shown in Annex C.

Annexes

ANNEX A

PERFORMANCE MONITORING PLAN TABLES (ANNUAL SO/IR RESULTS REPORT)

PERFORMANCE MONITORING PLAN TABLES

INDICATOR #1 **Increase in sales** (among top and middle-tier companies assisted)

USAID IR 1.2.1.1 Increased value of sales (by USG assisted entities)

	2008	2009	2010	2011	2012 projected	2013
Target \$						
Target %	5%	10%	10%	10%	10%	
Actual \$						
2012 ES Sample (101)	\$119,547,367	\$120,227,063	\$123,604,641	\$150,431,631	\$145,988,257	
2011 ES Sample (87)	\$109,442,951	\$112,746,525	\$116,061,465	\$140,390,560		
2011 Control (129)	\$84,057,151	\$66,164,788	\$63,673,618	\$73,228,367		
Actual %						
2012 ES Sample (101)		0.6%	2.8%	21.7%	-3.0%	
2011 ES Sample (87)		3.0%	2.9%	21.0%		
2011 Control (129)		-21.3%	-3.8%	15.0%		
Cumulative \$						
2012 ES Sample (101)		\$679,105	\$4,038,647	\$30,804,124	\$26,252,532	
2011 ES Sample (87)				\$30,947,609		
2011 Control (129)				(\$10,828,784)		
Cumulative %						
2012 ES Sample (101)		0.6%	3.4%	25.8%	22%	
2011 ES Sample (87)				28.3%		
2011 Control (129)				-12.9%		
Attributed \$					(comment 1)	
2011 ES Sample (87)				45,103,168		
Attributed %						
2011 ES Sample (87)				100%+		

UNIVERSE OF COMPANIES	All top and middle tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.
BASELINE	Annual sales the year before the project started working with the company.
CALCULATION	Weighted average (not arithmetic average) of year-year growth and cumulative growth over life of project.
FREQUENCY	Based on a survey of all intensively supported businesses twice per year. Note, to adapt this indicator to companies' own financial reporting cycle, the April report includes data through the end of the previous calendar year (December) and the October report includes only 9 months (of 12) data (January to September).
ATTRIBUTION	ESP companies' performance will be compared with that of a control group of businesses with similar profiles in order to derive an "attributed" amount of sales from ESP interventions and, ultimately, a total return of investment. The control survey will be conducted twice – February 2012 and February 2013.

Comments:

1. Control group comparison will be repeated in early 2013.
2. In USD terms sales appear to have contracted in 2012, however in both RSD and Euro, company sales have continued to expand in 2012. The effect of different currency conversions on the results is shown on table below. The effect of the macroeconomic environment on the different sectors is discussed in more detail from page 55.

Year	Sales of 101 sample RSD	Growth RSD	Exch. EUR RSD	Sales of 101 sample EUR	Growth EUR	Exch. USD RSD	Sales of 101 sample USD	Growth USD
2008	6,634,225,670		81.44	81,461,513.63		55.58	\$119,363,542	
2009	8,072,868,004	21.69%	93.90	85,973,035.19	5.54%	67.25	\$120,042,647	0.57%
2010	9,579,711,923	18.67%	102.90	93,097,297.60	8.29%	77.63	\$123,402,189	2.80%
2011	11,016,300,010	15.00%	101.97	108,034,716.19	16.04%	73.36	\$150,167,666	21.69%
Jan-Aug2012	8,529,218,823		112.45	75,848,989.09		87.86	\$97,077,382	
Projected2012	12,793,828,235	16.14%	112.45	113,773,483.63	5.31%	87.86	\$145,616,074	-3.03%

INDICATOR #2 Jobs created

Number of jobs created in all assisted companies

	2007	2008	2009	2010	2011	2012	2013
Cumul. Target	150	150	170	157	177	245	
Actual	114	12	9	114	149	96	
Cumul. Actual	114	126	135	249	398	494	

UNIVERSE OF COMPANIES All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.

BASELINE Number of employees the year before the project started working with the company.

CALCULATION Comparison of current aggregate employment of assisted companies vs. baseline.

FREQUENCY Based on a survey of all intensively supported businesses twice per year (March and October).

ATTRIBUTION ESP companies' performance will be compared with that of a control group of businesses with similar profiles.

Comments:

30 companies surveyed added 96 new jobs in 2012. Some previously supported companies have shed employees during 2012. The external PPES evaluation conducted during summer 2012 indicated that the project has been underreporting jobs creation by not considering larger supply chain impact. This issue will be addressed in the final report and all jobs figures for all years adjusted accordingly.

INDICATOR #3 Companies entering new markets

Number of companies entering new markets

	2008	2009	2010	2011	2012	2013
Cumul. Target					88	88
Actual	22	15	14	43	30	
Cumul. Actual	22	34	39	64	76	

UNIVERSE OF COMPANIES All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis will be those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners assisted in Year 2.

BASELINE Zero. A “new market” is defined as a new, sustained sale to a new buyer or buyers in domestic or foreign geographical location(s) outside the company’s home municipality that it wasn’t previously selling into.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September)

ATTRIBUTION Not considered for this indicator.

Comment:

Actual represents the number of companies achieving one or more new markets in that year. Cumulative is the number of total individual companies achieving new markets over the life of the program.

INDICATOR #4 Exports increased

	2010	2011	2012 projected	2013
Target \$				
Target %				
Actual \$ (60 companies with 2010-2012 exports)	\$30,506,326.81	\$40,665,713.17	\$39,273,783	
Actual %		33.3%	-3.42%	
Cumulative \$		\$10,159,386	\$8,767,456	
Cumulative %		33.3%	28.7%	
Attributed \$				
Attributed %				

UNIVERSE OF COMPANIES	All top and middle-tier companies that have been working with the program at least a year. Excluded from the analysis are those companies that only worked with the project in Year 1 (as Business Plan Competition winners) or were private accommodation owners (tourism sector) assisted in Year 2.
BASELINE	Exports the year before the project started working with the company.
CALCULATION	Aggregate of all companies surveyed.
FREQUENCY	Based on a survey of all intensively supported businesses twice per year (March and September).
ATTRIBUTION	ESP companies' performance will be compared with that of a control group of businesses with similar profiles.

Comment:

Included only 60 ES-supported top and middle tier companies that have reported export sales for all three years (2010, 2011, 2012). Currency conversions (an issue noted in indicator #1) affect this result as well. Exports expressed in RSD and EUR have increased in 2012.

INDICATOR #5 **Entities meeting international standards (ISO or Halal certification)**

IR 1.2.1.2 Increased number of entities meeting international standards

	2010	2011	2012	2013
Cumul. Target		20	32	
Actual	12	10	10	
Cumul. Actual	12	22	32	

UNIVERSE OF COMPANIES All ESP assisted companies.

BASELINE Number of companies that already possessed international certification prior to ESP assistance.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September).

ATTRIBUTION 100% progress attributed to ESP.

Comment:

During the reporting period 9 companies attained Halal certification and 1 additional company, Tobler, received ISO certification.

INDICATOR #6 **Businesses with improved management practices**

IR 1.2.1.3 Number of Private sector firms with improved management practices, as a result of USG assistance

	2007	2008	2009	2010	2011	2012	2013
Cumul. Target						30	4
Actual	13	79	42	72	61	88	
Cumul. Actual	13	91	117	147	156	210	

DESCRIPTION Management practices include areas like financial management, strategic planning, marketing, or sales. This indicator counts all those businesses receiving USG assistance through ESP in the current year and cumulative number that have received assistance.

UNIVERSE OF COMPANIES All firms that have received any kind of program assistance during the fiscal year.

CALCULATION Simple addition.

FREQUENCY Collected twice per year (March and September).

ATTRIBUTION Not applicable.

Comment: Actual equals firms assisted each year. Cumulative equals total number of individual firms assisted (i.e., some firms received management assistance in more than one year).

INDICATOR #7	Assisted youth finding a job
---------------------	-------------------------------------

Number of assisted youth who have found jobs (and derived unemployment rate among targeted population)

	2009	2010	2011	2012	2013
Target	n/a	n/a	n/a	60	30
Actual	129	36	90	96	
Cumul. Actual	129	165	255	351	
Attribution%					

DESCRIPTION Number of young people who have found employment after receiving directly provided training through municipal Youth Offices.

METHODOLOGY A survey will be conducted once per year on a statistically significant sample size, not more than 6 months after training intervention.

ATTRIBUTION ESP will attempt to determine attribution when next survey is conducted in Summer '12 for SA#13 by comparison with a GOS reported unemployment rate for comparable age group.

Comment:

The result of 203 Youth Office trainees and 148 YEAP participants finding employment.

INDICATOR #8	Assisted youth founding a new business
---------------------	---

Number of assisted youth who have found a new business

	2009	2010	2011	2012	2013
Target	25	25	25	25	25
Actual	69	35	31	65	
Cumul. Actual	69	104	135	200	
% of trained					

DESCRIPTION Number of young people who have started their own business after receiving ESP assistance through Youth Offices. The business must be legally registered and not working in the gray economy.

CALCULATION [Derived figure. Percentage of youth responding to survey that have found a job applied to the total population of trained youth]

FREQUENCY Once per year (summer).

ATTRIBUTION Not considered for this indicator.

Comment:

The result of 20 Youth Office trainees and 45 new businesses started through municipal YEAPs.

INDICATOR #9	Microenterprises receiving assistance
--------------	---------------------------------------

Number of microenterprises receiving business development assistance from USG sources

	2008	2009	2010	2011	2012	2013
Cumul. Target	200	200	233	240	240	
Cumul. Actual	190	218	220	221	260	

UNIVERSE OF COMPANIES All supported companied (both Business Support and Youth Support).

METHODOLOGY The project is cognizant of USAID's definition of a microenterprise (ref: ADS 219), which includes informal sector and poverty criteria. Because Serbia does not fit the typical profile of a USAID-assistance country, most of the businesses assisted by ESP are neither operating in the grey economy nor are they owned by persons who would meet the country's poverty definition. As such, the project will only apply the size criteria (10 or fewer employees) when determining whether to count a firm as a microenterprise.

FREQUENCY Twice per year (March and September)

Comment:
39 new microenterprises assisted added to last year's total.

INDICATOR#10	Food security private enterprises receiving assistance
--------------	--

IR 1.2.1.5 Number of food security private enterprises receiving USG assistance

	2010	2011	2012	2013
Cumul. Target	38	38	44	
Cumul. Actual	38	38	58	

DESCRIPTION This indicator was designed to incorporate food security private enterprises (for profit), producer organizations, water users associations, women's groups, trade and business associations, and community based organizations (CBOs) receiving USG assistance.

UNIVERSE OF COMPANIES All supported companied (both Business Support and Youth Support) in the Agriculture sector.

FREQUENCY Twice per year (March and September).

CALCULATION Simple addition.

ATRIBUTON Not applicable.

INDICATOR#11 Businesses participating in the formal credit market

Number of USG assisted entities participating in the formal credit market.

	2011	2012	2013
#ES assisted businesses	82	141	
#ES assisted businesses in credit market	41	36	
% of total ES assisted businesses	43%	26%	
# control group companies	129		
#control group companies in credit market	46		
% of total control group	36%		

DESCRIPTION The program will report semi-annually on the number of businesses participating in program activities that are participating in formal credit markets (have either taken out a new loan during the current reporting period, for whatever reason – capital investment or short-term liquidity - or are currently servicing a long-term loan).

UNIVERSE OF COMPANIES Intensively assisted Business Support companies.

FREQUENCY Twice per year (March and September).

ATTRIBUTION Although no attribution will be claimed (as the project, to date, has not designed and implemented any activities that promote participation in credit markets, although occasional assistance in this area has been provided on an ad-hoc basis), a comparison will be made with a control group of businesses. Data on this indicator is being provided to USAID as a courtesy to help better inform future programming decisions and is not meant to reflect program impact.

Comment:

There has been a decrease in companies making use of formal credit markets over the past year. This is consistent with macroeconomic trends and the consequent tightening of the credit market.

ANNEX B

WORKPLAN PROGRESS

GANTT CHARTS

Business Activities Gantt Chart

ACTIVITIES		October 2011	to	Oct	Nov	Dec	Jan 12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 13	Feb	Mar	Comment / Explanation
TRAININGS																						
Management and Life Cycle of Companies				x																		Completed in both regions
Branding Training										x												Completed
Leadership Transition								x	x													Completed in both regions
TECHNICAL ASSISTANCE																						
Marketing Material, La- beling and Packaging								x	x	x	x	x	x	x								Nearing completion
Certification Standards: Halal									x	x	x	x										Completed in NP region
Certification Standards: ISO												x	x	x	x	x	x	x				Ongoing in both regions, each region four companies
Product Differentiation																x	x	x		x		Only in VR region, activity de- sign / approval in prep.
Access to Financing									x	x	x	x	x	x								Completed in both regions (one in NP and four in VR Region)
Inventory Control and Financial Management Software														x	x	x	x	x				Ongoing in NP region (five companies) and VR just started (three companies)
Workforce Development								x	x	x	x	x	x									Completed (Presevo HS lab), awaiting inauguration
NEW MARKET ENTRY																						
Trade Missions																						
Tirana TM, Albania	x																					Completed
Milano TM, Italy									x													Completed
Poznan TM, Poland															x							Completed
Moscow TM, Russia								x					x									Completed - one for Asstex and separate one for Kostana
Düsseldorf TM, Germany															x							Completed
Verona TM, Italy													x									Completed
Trade Fairs																						

ACTIVITIES		October 2011 to		Oct	Nov	Dec	Jan 12	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan 13	Feb	Mar	Comment / Explanation
March 2013																						
General (Panairi) TF in Tirana, Albania				x																		Completed
Construction TF in Belgrade, Serbia										x												Completed
Agriculture TF in Novi Sad, Serbia											x											Completed
Shoes TF in Lodz, Poland															x							Completed
GDS Event in Düsseldorf, Germany										x												Completed
Fashion TF in Moscow, Russia								x														Completed
Fashion Poznan TF, Poland															x							Completed
MOSSHOES, Moscow, Russia																				x		Go/no-go decision pending due to lessons learned from Kostana trade mission
New Market Support																						
New Market Support and New Market Entry through Clusters				x	x	x	x	x	x	x	x	x	x	x	x	x	x	x				Completed - Fluidi in Albania and Asstex cluster in Moscow

Youth Support Gantt Chart

ACTIVITIES	October 2011	March 2013	Oct	Nov	Dec	12-Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	13-Jan	Feb	Mar	Comment:
A. INSTITUTIONAL SUPPORT TO YOUTH																					
A.1 LOCAL-LEVEL YOUTH OFFICES																					
1a. Capacity Building for new Youth Offices Cohort 3																					
Key Objective: Increase capacities of local Youth Office Coordinator to successfully implement youth entrepreneurship program																					
Assessment of new YO	√																				All activities completed as planned, no more activities under this task.
Procurement of service providers for basic trainings in Communication and Entrepreneurship	√																				
Implementation of Communication and Entrepreneurship trainings for YO Coordinators			√			√															
1b. Entrepreneurship trainings in new Youth Offices Cohort 4																					
Key Objective: Provide information and education to youth interested in starting their own business																					
Procurement of service providers for youth entrepreneurship trainings	√	√																			The trainings for youth are completed as planned. Assessment of the result is conducted and ES sent questionnaires to all training participants to determine impact. Results are being analyzed and will be presented in Semmi Annual Report #13.
Implementation of youth entrepreneurship trainings						√	√	√													
Evaluation of results											√	√	√								

2a. Youth entrepreneurship plans for Youth Offices Cohort 3																	
Key Objective: <i>Provide selected municipality with a tool to strategically target issues of youth unemployment</i>																	
Invitation for application (Sep '10)	✓																
Selection of municipalities	✓																
Procurement of service providers for development of YEAPs	✓																
Development of YEAPs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
2b. Implementation of adopted YEAPs Cohort 3																	
Key objective: <i>Establish model for implementation, Achieve first successes in implementation of YEAPs and target priority issues preventing development of youth entrepreneurship</i>																	
Joint call for proposals with local governments							✓	✓									
Selection of proposals									✓	✓							
Implementation										✓	✓	✓	✓	✓	✓	✓	✓
3. Implementation of adopted YEAPs Cohort 2																	
Key objective: <i>Establish model for implementation, Achieve first successes in implementation of YEAPs and target priority issues preventing development of youth entrepreneurship</i>																	
Joint call for proposals with local governments		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Selection of proposals		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Implementation				✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
10 new YO were selected for this year YEAP development process. To date, out of 9 developed YEAPs, 8 are formally adopted (Sokobanja is pending next assembly meeting) and Priboj is expected to develop and adopt YEAP in October.																	
Out of 10 municipalities, YEAP implementation started in 8, Sokobanja will start implementation in September, Priboj in October. Results will be presented in SA #13.																	
Activities began in all nine municipalities. Results will be presented in SA #13.																	

A.2. SUPPORT TO JUNIOR ACHIEVEMENT SERBIA																		Activities implemented as planned. JA Business plan development in progress.
Grant and STTA	√	√	√	√	√	√	√	√	√	√	√	√	√	√	√			
A.3. SUPPORT TO EDUCATIONAL INSTITUTIONS																		Center in Novi Pazar is established and study tour is completed. Bujanovac Career Center will be opened on the 12th October.
Develop a project proposal	√																	
Sign MOU with the University/Faculty	√	√																
Obtain project approval			√															
Implement the project				√	√	√	√	√	√	√	√	x	x	x	x	x		
B. SUPPORT TO YOUNG ENTREPRENEURS																		Businesses selected, trainings in marketing, management and sales successfully completed. Marketing materials and access to funds assistance curently on-going.
Selection	√	√																
Marketing and Sales Trainings			√	√	√													
Improving Marketing Material									√	√	√	√	√	√				
Assistance in access to funds									√	√	√	√						
C. PARTNERSHIP WITH HELP																		MOU signed, training service providers selected, pending for final selection of beneficiaries. Expected to start with training in October.
Sign MOU									√									
Select Service Providers										√	√							
Deliver training												√	√	√	√			

ANNEX C

JAS LIST OF DONORS

JAS NON-USAID DONORS 2011-2012

JAS NON-USAID DONORS 2011-2012				
#	DONOR	RESTRICTED	UNRESTRICTED	IN-KIND
1	Adonis	\$ 0	\$ 0	\$ 270
2a	Belgrade Business School	\$ 0	\$ 4,050	\$ 0
2b	Belgrade Business School	\$ 0	\$ 5,400	\$ 0
3	British Council	\$ 0	\$ 6,075	\$ 0
4	City of Belgrade	\$ 0	\$ 3,240	\$ 0
5	Delta City	\$ 0	\$ 0	\$ 27,000
6	Erste Bank	\$ 0	\$ 5,400	\$ 0
7	HP Serbia	\$ 0	\$ 0	\$ 675
8	INTEL and FERD (JA-YE SEP)	\$ 0	\$ 13,500	\$ 0
9	INTEL Serbia	\$ 0	\$ 2,025	\$ 0
10	ITM Group	\$ 0	\$ 0	\$ 270
11	JA Norway	\$ 0	\$ 2,038	\$ 0
12	JA Turkey	\$ 0	\$ 607	\$ 0
13a	Ministry of Youth and Sport (2011/2012)	\$ 7,020	\$ 0	\$ 0
13b	Ministry of Youth and Sport (2012)	\$ 8,100	\$ 0	\$ 0
14	Novi Becej municipality	\$ 0	\$ 405	\$ 0
15	ORACLE	\$ 0	\$ 2,430	\$ 0
16	SCP Belgrade	\$ 0	\$ 1,350	\$ 0
17	Smart Kolektiv	\$ 0	\$ 1,620	\$ 0
18	Societe Generale Bank	\$ 0	\$ 27,000	\$ 0
19	Telekom	\$ 0	\$ 10,800	\$ 0
	TOTAL	\$ 15,120	\$ 85,941	\$ 28,215
			GRAND TOTAL	\$ 129,276

ANNEX D

COMMUNICATIONS ACTIVITIES

2012

COMMUNICATIONS REPORT

The role of communications in the Economic Security Project is not only to ensure high-visibility public relations but also to integrate with all program goals to promote the public policy and human behavioral changes necessary to secure Serbia's economic future. The communications office practices 360 degree communications, integrating the very approaches to audience segmentation and targeting, message discipline, messenger credibility and message delivery channels and timing that it teaches the owners and managers of its senior businesses and youth entrepreneurs.

The continuous expansion of the program's exposure results from the development of a communications strategy for each major area of the work plan to devise a set of actions that help advance the stated outcomes. The ES communications office transformed the discreet media events or promotional materials into a series of planned steps complementing each support teams' implementing actions. Both Business and Youth support teams implement actions that demand major changes in thinking and behavior. Clusters expect companies to cooperate rather than compete; new operational technologies demand new skills and less centralization, for example. Internships promote the need for business and youth to take personal responsibility in the youth unemployment crisis; rather than wait for job placement, young people must prepare themselves and either hunt for or create their own jobs through entrepreneurship. Tackling youth unemployment locally rather than waiting for national solutions is counter to the traditions of municipal management.



Thus, as Business Support prepares for a trade mission or fair, communications provides materials to be used for communicating to potential business partners, Serbian embassies in the countries to be visited and chambers of commerce both domestic and international. Or as Youth Support's YEAP activities strive to build a broad community support network to tackle youth unemployment, the communications office helps coordinate visibility events locally to help gain both public and political support.

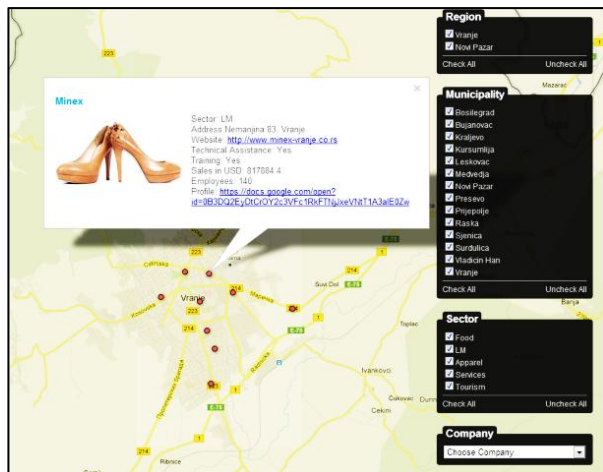
Communication's results for Semi-Annual Report 13, which covers the period from April 1, 2012 to September 30, 2012, demonstrate the program's ongoing aggressive efforts to generate media coverage. A total of 14 high-visibility events were held during the period that generated 190 newspaper, television or radio articles. As Economic Security redoubles its electronic communications with a redesigned website, those looking into the program online grew by 13% percent during this period.

The major effort has been the creation of an intranet site that is continuously updated. The site is an interactive map that allows the client, other USAID programs, targeted stakeholders and counterparts to locate all the program's activities in a geographic region. The profiles and vital statistics of participating companies are accessible for monitoring and evaluation purposes. Most importantly, the new site maintains the institutional knowledge of not only the quantifiable results generated through the Economic Security Project methodologies but the brick-by-brick construction that made them possible.

This annex will outline the new intranet and actions taken this period to integrate a Web-based data collection process on the results of the program's partners and activities.

Information and Data Collection

Information Management: The ES project, supported by the communications office, began modernizing its website to deliver up-to-date information on ES-supported businesses and their sales results. The project used + to both geographically pinpoint the location of each of its companies and maintain a profile of each one. Using “point-and-click” drop down menus, USAID and other program stakeholders are given access to business support activities. The infrastructure was completed and the information accessible in December 2011, content is updated regularly and new company information added as different activities are concluded.




Data Management: The major effort in this period has been the implementation of a new Results Tracking Database that resides on the organization’s central file server and provides multi-user data access from field offices. Communications and relationship management between program officers and counterparts, public and private, have given the program access to data seldom shared by private companies or in such thoroughness by public institutions. The communications office this period devised a template to standardize existing data and to collect future data all managed in real time using database management software. Analysis of the data now uses Excel 2010, which accommodates more sophisticated statistical calculations for the project’s report products.

The full benefit of the upgraded data management approach will be used extensively for the project’s final report. It also preserves the data so they can serve as a baseline of information others can use to measure initiatives or projects.

Business Support Media Activities

The business support team held five events between April 1 and September 30, 2012. During this period, a total of 89 stories were reported through seven national newspapers, five local papers and 14 TV outlets. Special TV interviews were arranged for program officers Ahmet Halilagic and Rexhep Illazi to discuss how the companies in their regions of Sandzak and South Serbia respectively are cooperating through clusters to open new markets and increase production; those TV interviews appeared in B92.


The major event during the period was the first-time appearance of the food processors and associations representing the Pester, Golija and Kopaonik mountains at the Novi Sad Agricultural Fair. The event is a classic example of how the Economic Security Project integrates communications into its implementation efforts.

Case Study Novi Sad Agriculture Fair		Novi Sad, May 12 -18, 2012	
Event Summary	Economic Security Project prepared five companies from rural and remote mountains of Pester, Golija and Kopaonik to promote the unique cheeses, milk and meat from those environmentally pristine areas.		
	Nine ES-supported companies received Halal certification during the fair as well.		
	ES worked with the U.S. Embassy in Serbia to have economic representatives from five countries with large Muslim populations attend the certification event.		
Economic Security Strategic Goal	Support the small rural companies in attracting new domestic and export sales.		
	Open communications with countries with large Muslim populations to create new export demands for their unique foods both Halal certified and uncertified.		
Communication Goals	To create an event that would garner high visibility for the Serbian companies		
	To create an event of interest to attract the potential sales partners from countries with large Muslim populations so they would sample products and open business conversations.		
	To promote the significance of clustering in business development		
	To communicate to the Serbian decision makers and citizens the potential for Serbian business and how to create opportunities for private business		
Message Delivery Methods	1. Event	Message Delivery Tools	1. Press Release
	2. Media Relations		2. Keynote Speech
	3. New marketing materials		3. ES Website Update
	4. Modern exhibition booth		5. Information Kits
	3. Website		
Target Audience	1. Potential partners for Serbian products	# of Media References	Print 3
	2.The participating companies		TV 54
	3. International business decision makers located within Serbia		Media Websites 28
	4. Serbian decision makers		News Agencies 2
			Total 37
Key Media Results	2 out of 5 national TV stations reported on the event 2 national news agencies reported on the event 2 national daily newspapers reported on the event All major business weeklies reported on the event Website update on the event was among the top 5 search results on Google for the month of July		

Youth Support Media Activities

Youth support's 2012 YEAP activities demonstrated the benefits of experience as with only two exceptions its municipalities moved more quickly through the process of passing a strategic document to attack the problem of youth unemployment. As a result, a total of 9 events were held to launch one or more activities in nine communities in South Serbia and Sandzak. These events attracted a total of 101 news articles and were attended by local leaders, private business owners and civic organizations in each municipality.

The local focus of these events was the priority. Among the multi-faceted elements of YEAPs, they are about local communities solving local problems; they call upon individuals as well as institutions to accept more responsibility and engage in innovative solutions. The communications efforts targeted local media with messages that would be dynamic and relevant to each of this year's 19 participating YEAP communities. Following is a case study for the event in Blace which promoted a unique, strategic approach to revitalizing its agricultural economy through a private/public partnership that includes much-needed specialized training and highly portable veterinary technician skills.

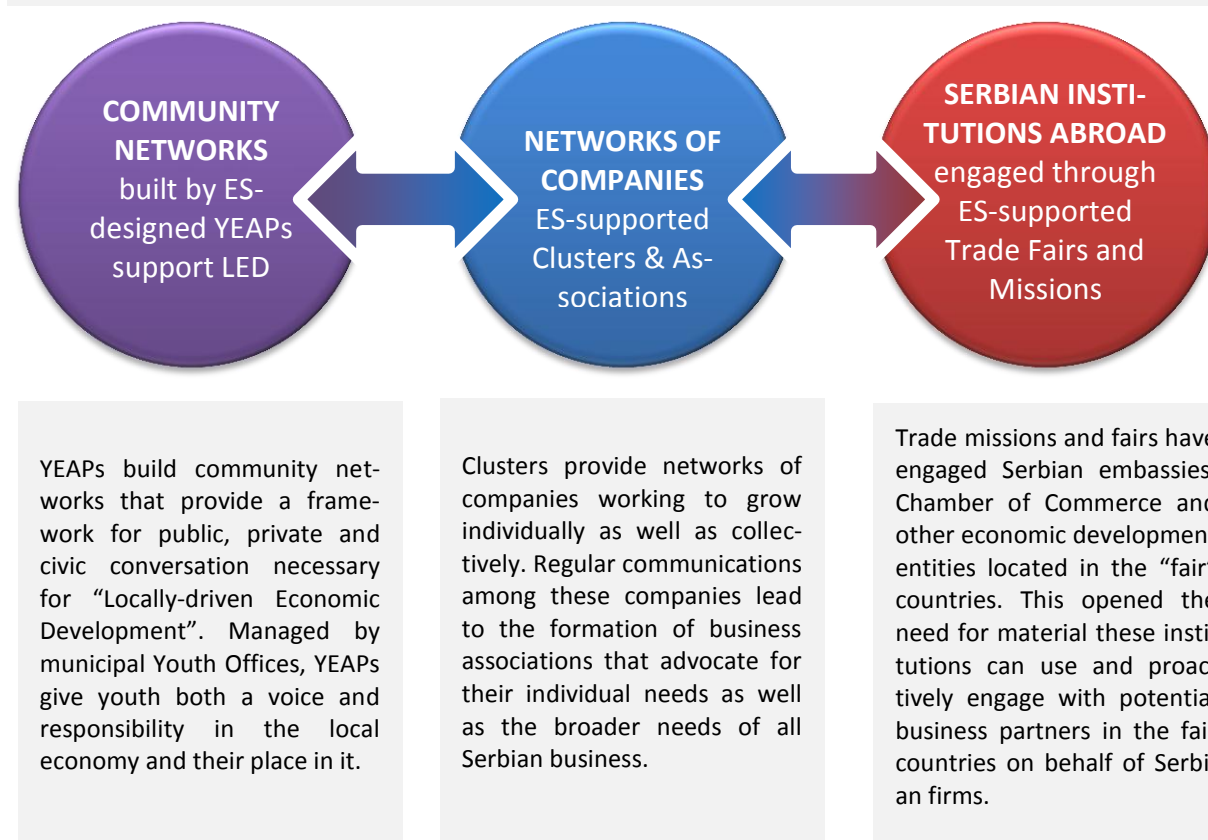
Case Study Farming Development Center.		Blace, July 16, 2012	
Event Summary	The opening of a farming development center in Blace. The facility and the planned training of 30 youth in modern farming skills and 15 in veterinary technology are part of the municipality's YEAP, the result of a public/private partnership among the municipality, a local dairy and USAID's Economic Security project. USAID acting Mission Director and ES Program Executive Director were in attendance along with Blace Mayor and the owner of Lazar Dairy. 30 local Youth were in attendance		
Economic Security Strategic Goal:	Implementation of YEAP activities that provide jobs and/or entrepreneurial opportunities for local communities; creation of community partnership across public, private and civic organizations to sustain an ongoing focus on local solutions to youth unemployment.		
Communication Goals	To promote the importance of local solutions to citizens. To promote broad-based community support. To get information about community activities and opportunities to municipal youth. To help local farmers become aware of the access to help in animal husbandry techniques, support available through the new farming center and awareness of the 30 youth to be trained in animal husbandry methods. To promote USAID's participation in the partnerships and investment in local solutions.		
Message Delivery Methods	The entire YEAP process Public hearings Event Media Relations Website	Message Delivery Tools	Communications training Youth Office Coordinator overseeing YEAP Public draft of YEAP for public hearings Press Release Keynote Speech ES Website Update Press Information Kits
Target Audience	1. Local Blace Youth 2. Local farmers 3. Local decision makers and opinion leaders 3. Serbian decision makers	# of Media References	Print 5 TV 3 Media Websites 15 News Agencies 2 Total: 25
Key Media Results	2 of the 3 national news agencies attended. 1 national TV (RTS) and 2 local TV ran stories 1 TV feature on "Knowledge for you" (Znanje na poklon) on Happy TV, a highly popular show hosted by Zaharije Trnčević, considered to a leading agricultural expert among the journalists.		

Using every action as a communications approach, program officers and the communications office work together to integrate their responsibilities. Training sessions in any subject are not just technical education in a business application but a communications channel to convey how managers and owners function in a modern workforce and multi-national companies. When the youth support team teaches young people the basics of entrepreneurship, they also share the values and responsibilities of individuals in an open society – key values and work ethics needed to succeed as business owners.

The job of communications is not limited to program officers and staff. Turning each implementation step into a communication has required the project to engage each of its service providers in the program’s vision, mission and values so they become familiar with the underlying messages and become credible messengers.

In the end, the Economic Security Program through its actions has created a web of communications.

ES PROJECT COMMUNICATIONS NETWORK AND FLOW



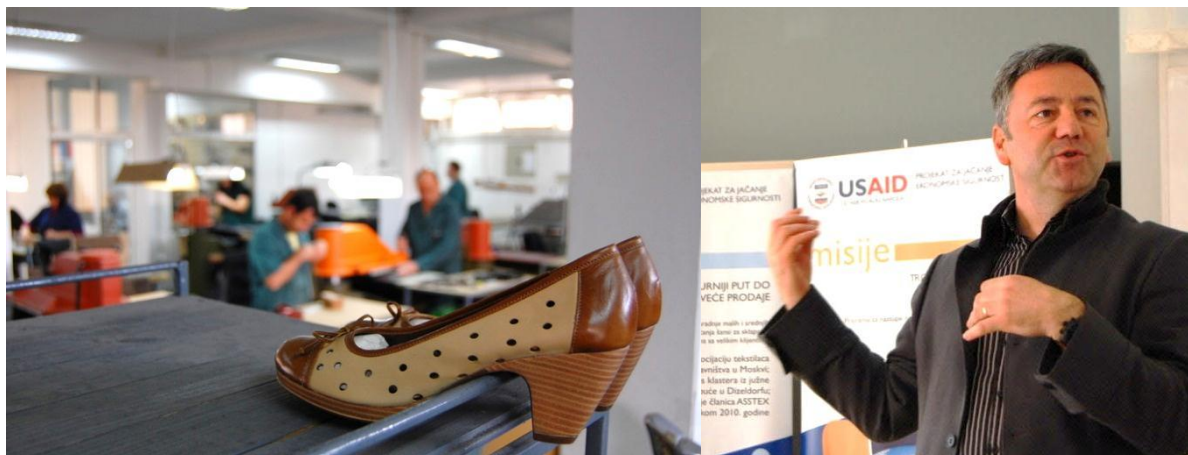
In each of these ES project activities, 20 or more separate tasks were necessary to execute the action. Taken individually, the separate conversations, trainings, meetings, press announcements, keynote speeches or data collection would be discrete responsibilities. Organized and implemented as part of a larger strategy in which communications is a vital organ, these tasks support the accomplishment of the project’s work plan outcomes.

ANNEX E

BUSINESS PROFILES

Bratislav Djordjevic – STEFI KOMERC, Vranje

One of Serbia's most successful domestic companies, shoe manufacturer STEFI KOMERC, is the result of family commitment and company founder and senior partner Bratislav Djordjevic's insatiable desire to control his own destiny.



"If I could not own a business, my plan B was that I would have to get a second job to keep my mind busy," Bratislav explained. "It is hard to know where it comes from because like many Serbians, my mother and father both worked for public companies their entire work life. Even in high school, I could never imagine working 9-to-5 without opportunities for promotions, financial advancement or creativity."

Today Bratislav, brother Novica and their wives own and run STEFI KOMERC in Vranje, a southern Serbia city of 80,000. The brothers manage the production, 150 employees and sales; the wives manage their four Vranje-based retail outlets and scout design trends at fashion shows throughout Serbia and Europe.

Bratislav's entrepreneurial experience began as he finished engineering studies at the University of Belgrade. Newly married, he and his wife used savings from his family to open two convenience stores in Vranje.

"My wife was like me. She wanted an opportunity for a higher quality life; we were pioneers in private enterprise. There was no one to help us and we made so many mistakes. At 22, we were responsible for my family's savings," he reminisced. "It was then that I set my first rule of business: save first, spend second."

With the birth of his first son, his wife had to take a full time job in 1993 but Bratislav continued to build the family enterprise. In search of greater time flexibility and financial opportunity, the new father gave up the two convenience stores to become a wholesaler for stores throughout the region. In 1997, he invited Novica to join him in wholesaling shoes, an industry in which his brother had experience.

Four years later, the Djordjevic brothers decided to design and manufacture their own shoes. In the early 2000s, they had just 10 employees producing only three styles of women's footwear for the Vranje market. They realized they would need foreign investment if they were to expand their brand. While Novica met their first investor at the airport, Bratislav, just 32 at the time, organized his mother, father, cousins, and neighbors, uniformed them and gave them a work station in the family garage that was their production facility. Novica, surprised to see his work force tripled in size in his absence, greeted

STEFI KOMERC & Economic Security Project

- Intensive business support
- Trade mission and trade fairs
- Founding member of KOSTANA Shoe Cluster

the crew with, “Well, hello, fellow workers” and introduced the investor, an Italian manufacturer. STEFI landed its first outsourcing contract.

The family has continued to expand its business. Because of an aggressive export strategy, the company grows by 20 to 30 employees a year and intensified that focus by joining several regional shoe manufacturers to market internationally as an industry cluster. Bratislav projects the energy and confidence to continuously set his bar higher yet remain comfortable enough to enjoy the rewards of 20 years of non-stop work. “It is intense, and sacrifices must be made; but there must be a balance,” he said. “I take two weeks every summer and one week each winter that is nothing but family time – no other distractions.”

Today and the Future

Today, 85 percent of STEFI’s business is outsourcing for other manufacturers. Bratislav’s goal is to export STEFI brand shoes; his focus is a 2013 trade show in Russia. Just this summer, a contingent from the German Chamber of Commerce toured the facility to ensure it could handle contracts with multiple German companies, and that the plant is set up to pass an ISO certification inspection, which Bratislav hopes to achieve by the end of the year. His wife and sister-in-law believe that Poland also is a perfect market for their Serbian styling. He does continue to expand throughout Serbia, but finds such expansion difficult because of the number of buyers that are lax in paying their bills.

Regardless, his home is Vranje and that is where he wants STEFI headquartered for the long term. Proud of the jobs and revenues he brings to his home town, he said he is driven by a statement heard delivered by former Prime Minister Zoran Djindjic: “The difference between the General Manager of a Public Company and the CEO of a private one is bankruptcy.” Entrepreneurship is the way to financial security and improved quality of life both professionally and socially. It allows one to see more, think faster, gain broader skills and develops a sense of empowerment that is healthy and important in a market economy.

“I am sending each of my sons to school to develop skills to be used in the company,” Bratislav said. “They may choose to be whatever they want but I hope they will choose this way of life.”



Nusret Zornic – ZORNIC DAIRY, Tutin

Zornic Dairy owner Nusret Zornic loves his home of Tutin so passionately that he has spent years singlehandedly fighting its brain drain, providing income for isolated farmers and preserving his beloved community by building and expanding his dairy business.

Tucked far away in Serbia's Pester Heights, this isolated region once paid its taxes to the lowlands feudal lords with its highly prized prime quality beef, wool and dairy products. As the world evolved around it, this pristine plateau remained largely untouched by investments in roads and other public services. Unable to take products to market, farmers could only trade with one another and Pester's cattle stocks and its products slowly diminished for lack of demand.

Jobs in the region were few. In Tutin, where Zornic Dairy is based, some jobs in government and wood processing existed but they were few and hard to get. The one non-farming plant, a furniture company, collapsed together with socialism in the 1990s. Established Serbian dairy companies were reluctant or unable to invest in unlocking the region's potential as a producer of high-quality raw milk products because of the lack of roads, reduced dairy stock, and antiquated farming methods. In this vacuum Zornic took his belief in the region and its products, combined with his drive to learn and implement more modern agricultural techniques and founded his dairy in 1994.



It was a bold step for this 4th generation farmer with little more experience or resources than the neighbors he wanted to help support. His new company was accepted as a long-sought remedy among the Pester Heights farmers. It also helped to ensure that his children and grandchildren could grow up in the region and have a future there.

"I don't want my neighbors to leave their homes as much I don't want my own sons to leave. So I must make sure they can earn and stand proud from doing what they are best at," he said. "No one produces better milk

than these people, I guarantee you. It's a chance for all of us to live decently."

Equipped with powerful four-wheel drive trucks bought from the army surplus, the dairy hired 40 local drivers and assigned them to reach the most remote mountain households to pick up milk. In those early days, Zornic was able to engage 20 farms; today he has several hundred small farmers supplying raw milk. Their profit margin reflected this expensive risk. "For every kilometer a dairy from the lowlands has to travel to pick up milk, we travel two. For every liter of fuel they use, we use three," he said. "You have to love your home to do this. On this love for our community we build our success."

And build success he has. His sales have grown 116 percent since 2008 and those were driven in large measure by a 143 percent growth in export sales in the same period. He recently joined other members of the Pester Food Association to attend trade fairs and promote foods from the region. He also was one of nine regional companies that earned Halal certification in May, opening new export opportunities with

ZORNIC DAIRY & Economic Security Project

1. Intensive business support since 2007
2. Management, Marketing and Sales training
3. Trade mission and fairs
4. Halal Certification
5. Cluster participation

Middle Eastern partners, especially Turkey.

His growing regional export sales have created a demand for larger quantities of raw milk products which farmers in the region cannot meet. Zornic entered into an agreement with Raska-based Milkop Dairy to buy raw milk so his dairy can expand its product line. This is not the long-term solution he envisions, however. Currently, the average number of cows owned by farmers supplying Zornic Dairy is just four. More importantly, these farmers are only able to produce half the amount of raw milk daily of the herds owned by Serbia's more modern dairy farmers.

"We need to find the way to help these family farms increase their herds. Today, Serbian farmers with more modern equipment and knowledge still produce 45 percent less milk per cow per day than a farmer in Switzerland," he explained. "The farms I buy from only produce 15 percent as much raw product as a Swiss farmer." The region lacks modern equipment and experts in milk production and cattle breeding. Local schools do not offer these courses and it's hard to attract outside experts.

"My farmers cannot afford to buy the cattle on their own, but we don't even have ready access to people who can help make us more productive with what we have. Commercial loans are expensive and government support is not enough. I cannot expand if farmers don't."

"If we could change this it could bring new hope for Tutin. With infrastructure and experts we can recover the entire region," he said. "Roads help you transport milk out but they also bring tourists in," as the unspoiled nature region could lure trekkers and mountaineers.

Zornic's goal is to support the modernization and expansion of herds among his regional farmers as he is able to grow. This is the next logical step in his effort to ensure the region's financial security and treat his employees and farmers like his own family. "No machine can be as profitable as a satisfied worker with a sense of ownership in the company," he said.

Zornic believes his dreams can be realized. Regional trade partners, especially Montenegro "are thirsty for every drop of milk we have. If I'd triple milk output they would buy it," he claimed. "Low prices for high quality is the best incentive. That's why we need to help farmers grow their herd size."

Recently, Zornic Dairy qualified for a state license to prepare customs paperwork and complete procedures in-house, just one of four Serbian firms approved to do so since the government opened the opportunity. It will save time and money as it makes completing export deals easier.

"Expanded exports are important to us. We used to sell much of our product in Kosovo but the current political situation prevents us from reaching this lucrative market," he said. "We were well known there. It's such a shame as they are only a few kilometers away."

"It's much more than just a business. It's family, friends and our community," he said. "We have to be responsible. The community is at stake."



ANNEX F

YOUTH BUSINESS PROFILES

Ivica Lazarevic – VIZIJAL, Vranje

The garage at Ivica Lazarevic's parent's house looks like one in a typical suburban neighborhood: cars in the driveway with an interior cluttered with leftover projects. But this garage serves as the operations center for the 32-year-old's window manufacturing company – VIZIJAL – that he opened six years ago in Vranje, a Southern Serbia city with some of the country's worst economic conditions.



The young business man ensured his out-of-town visitors felt welcome: not a speck of saw dust was visible and the metal meeting table was covered with a cloth, a carefully placed vase of colorful plastic flowers and, like all Serbian offices, juice and two types of water to be served. This very attention to detail was a driving force behind Lazarevic's departure from his job with an established window manufacturer to strike out on his own.

"I thought I could do it better," he said. "There are no industry standards for window production, so few manufacturers pay attention to quality or offer top-grade materials that hold up to the environment. Profit is what drives the industry; I thought quality would win over the competition."

Deciding to be an Entrepreneur

Lazarevic was inspired by conversations about entrepreneurialism surrounding the 2000 Election.

"It was clear to me that ownership was the pathway to a quality life, one with financial stability and security," he said.

Barely 20 and in school, Lazarevic could not secure his family's support at that time. Restless with his studies in traffic engineering in Nis, he took a job in window production and spent 3½ years learning operations and the materials of the trade – developing the appreciation for the differences in construction materials and how well they withstand weather – knowledge that became the foundation for his company's values. "I knew I wanted to be an owner so, even frustrated by poor quality, I knew I could grow," he said.

Tenacity to Stick to Core Values

With Serbia's construction boom in full force in 2006, Lazarevic made his move; this time his parents were ready to invest. In fact, his father, retired after 35 years in the textile industry, volunteered to be financier, employee and coach.

"Many nights it was just he and I out here working through the night. It was strange supervising my father," he said. "I was young and very demanding, but he let me make the decisions."

The early days were tough, especially as Lazarevic also had to prove a young man could be reliable and had the expertise to fulfill contracts. Also, he had no background in marketing or customer service responsibilities; a challenge made more

VIZIJAL & Economic Security Project

- Young business owners intensive support activity
- Completed Management and Sales training
- Participant in ES Project trade fair mentorship activity during Belgrade Construction Fair – April 2012

difficult, he explains, because he was shy by nature.

"I could talk technically but I didn't know how to tell someone who wasn't technical why my higher-priced windows were worth it," he said. At times, he would convince a customer to buy his higher-quality windows and a competitor would drop its prices. He worked 12-14 hours every day for the first two years

"No one in Serbia comes with an understanding of all that it means to be a business owner. I felt desperate at times," the young business owner confessed. But as each new contract motivated him, his father "never let me give up on my value of quality."

Today and the Future

Lazarevic said the same qualities that drive his ambition to be an entrepreneur – a risk-taking hard worker with industry knowledge and consistent product quality – allowed him to survive the economic downturn. "That and the ability to work and live at home where mother does the cooking for all of us," he admitted, but noted that more than 20 percent of the industry's manufacturers have closed their doors.

He has grown from the tough years of just one or two clients at a time to having as many as seven at once. "I learned the value of word-of-mouth marketing and I spend a lot of time with my high-value clients. It is not as hard now."

While revenue at VIZIJAL has gone from averaging 2,500 Euros a month to 12,000 Euros, its profit margins have not increased. Often Lazarevic must charge less than his products are worth to stay reasonably close to the competition and the nature of the business requires regular replacement of tools and a large inventory.

"I use my profits to invest in a constant inventory of materials with new colors and products. It allows me to deliver a more timely product than my competition, offer architects more choice and ensure the highest-quality materials – I send back about 14 percent of material ordered because they don't meet VIZIJAL standards," he said proudly.

Lazarevic is confident his company can succeed in the years to come. "We've been doing it right and I'm building a name locally. I want to expand regionally while I improve productivity and profit margins," he said. "Things are better, but business ownership is a lifestyle. It still takes 10, sometimes 12 hours a day. I don't do the things people my age are usually doing but I know it is a long-term approach to more quality and security in my life."



Ida Lakota – LAKOTA, Sjenica

To open the door for new prosperity

Ida Lakota, 24, stands in front of a rusty metal door, once the cargo entrance of Vesna, the former, state-owned textile giant that once employed thousands of people from Sjenica. An imposing and rundown reminder of Serbia's old economy, the building is being revived by entrepreneurs to house several companies like the new textile enterprise Lakota has started with her family.



"Hundreds of trucks used to be loaded and unloaded here," recalled the third-generation textile worker whose grandfather toiled in this same building. "Today these doors are so rusty I don't even think they could be opened."

Two years ago, Lakota explained while walking to the part of the factory she rents for her business, she, her grandfather and father, who once owned a small textile manufacturing plant, combined their expertise, knowledge and startup capital to follow Lakota's business idea to produce apparel for other brands. They met success early, landing a deal with Italian-based worldwide apparel superpower Benetton; they also have produced parts of collections for Swedish retail giant H&M. For those first contracts, Lakota tapped the community's vast number of skilled, but unemployed, textile workers and hired them for short-term work. Today, Lakota's work is more predictable and it employs 36 people.

"I already had all the know-how in the family to start a textile business," Lakota said. "I thought it would be reckless to miss this opportunity to make a decent living for me and my family." Her father provides "badly needed advice," she said, noting that the country's educational system does not teach basic business and management skills.

"I think more young people would be willing to become entrepreneurs if they had the kind of support my dad and granddad gave me," she said. "This kind of knowledge must be available on a systematic basis as well as internship opportunities."

Lakota has learned well from her father. Her production and quality control efforts have convinced Benetton to have her produce an average of 20,000 apparel items a month from scratch. "We have an on-site quality inspector from the company but she never complains," Lakota noted proudly.

Even with her success and appreciation for her father's input, Lakota continues her education; she is a law student at the University in Sarajevo (Bosnia and Herzegovina) to build her business knowledge and ability to manage and expand her start-up. "I do not want to be completely reliant on my father and grandfather. When we discuss business I want to challenge and collaborate with my dad's thinking."

Unlike neighboring Novi Pazar manufacturers that produce their own lines of clothing, the 17 Sjenica-based textile producers make all of their items for other brands. They have leveraged Serbia's reputation from the 1980s for high-quality workmanship to create a well-established network of partners across South-east Europe. They also have partnered with Croatian and other Serbian companies to accept big orders from international companies.

LAKOTA & Economic Security Project

- Youth-owned entrepreneur intensive business support
- Sales and Key Account training

"This is our niche," Lakota said. "I cannot yet compete with renowned textile producers with my own fashion line. But that's certainly in the long-term business plan." The high-quality, low-price strategy protected Lakota's firm from the global economic crisis and has made it a favorite among producers, particularly Italian partners.

Lakota is cautious about her company's future. She takes pride in the fact that the firm pays salaries on time when many Serbian companies are running two to four months behind on wage payments. She also noted that proceeds are reinvested.

"All of our equipment was bought from profits. Commercial loans are expensive and a very risky option for a company that is built on outsourcing services that can be terminated at any point. Things would be much easier if the state would ... reduce the fiscal burden and simplify the tax system," Lakota said. "We have a feeling of being left alone here in Sjenica."

Lakota will graduate from law school in a year, her brother in three with a degree in economics. They then plan to expand and introduce their own production line.

"I got a taste of what it's like to be an entrepreneur, I have my dad to fall back on for advice and I will have my brother as the best possible business partner," Lakota said. "We will take our future in our hands."



They also hope to establish their own distribution network across Serbia. "But I need my whole team for that kind of leap!"

Lakota sees the future of her community in a network of modern small and medium businesses that compete both locally and internationally. She points at the rusty cargo door. "I want to grow my business so we will have to open the door for the trucks once again!"

ANNEX G

SUCCESS STORIES



SUCCESS STORY

ES PROJECT-designed Trade Missions yield strong Trade Fairs ROI

USAID Economic Security Project trade mission is cost-effective, improves trade fair ROI and creates permanent export market presence for Serbian companies.



Trade mission visits to Moscow helped Sandzak apparel manufacturers invest their own resources to open a show room and distribution center in Russia. The 2012 trade fair produced \$820,000 in new sales compared to 2009's \$135,000 sales. With its permanent presence in the market, the companies anticipate \$4 million in annual sales.

U.S Agency for
International
Development

www.usaid.gov

Trade fairs have produced \$14.1 million in new sales since 2009 for Serbia's South and Sandzak-based companies supported by USAID's Economic Security Project. For these two regions, among Serbia's most economically disadvantaged, the returns helped companies survive the economic crisis, enter export markets and create jobs. Yet, the ES project knew that one time sales would not ensure long-term company stability nor create the market diversity and growing profits to protect them and the regions from economic volatility and offer financial stability.

The project designed trade mission visits as a springboard turning trade fairs benefits from markets introductions and short-term sales to permanent market presence and long-term profits. The missions pre-arrange meetings between managers and 10 to 20 potential buyers before a trade fair. Company managers and owners also meet with Serbian Embassy and Chamber of Commerce dignitaries who, in turn, prepare meetings between the companies and the country's government and private sector representatives. As a result, the project's companies arrive at a trade fair with some contracts in negotiation with these new partners and their booths see more visits from pre-identified businesses.

Trade missions are one of many tools the project uses to strengthen its companies' sales. The results are exceptional. They were developed after the project's apparel manufacturers negotiated \$150,000 in new contracts at a 2010 German trade fair – a brand-new market for the Sandzak-based textile industry – and spent a year working to realize the contracts. In contrast, after a successful 2011 trade mission to Poland, the companies attended Poland's most important fashion fair and, through early contacts and discussions, concluded \$160,000 in first-time sales to Poland during the fair. Returning to the country in September 2012, Serbian apparel companies concluded sales of nearly \$100,000 for the rest of the year and opened negotiations for nearly \$700,000 in sales for 2013.

Trade missions cost between 5 percent and 20 percent of fair attendance. For the ES project, they generated a 300 percent year-to-year sales increase for the same fair and helped the same companies expand sales from \$1,500 to \$20,000 per company. As the use and function of fairs for the program's companies expand, they have helped apparel firms open a permanent presence in Russia, the nascent shoe cluster secure \$1.5 million in contracts and open the German market to Serbian shoe manufacturing and design. The pre-planning has helped companies better prepare for a fair or even postpone attending until conditions for success are ripe.



SUCCESS STORY

Mayors Take Charge of Youth Unemployment with Youth Entrepreneurship Plans

USAID Economic Security Project YEAP activity: a tool for local municipalities to solve Serbia's youth unemployment problem that has averaged 40% for five years in a row.



Through innovative YEAP solutions, municipalities successfully promote youth entrepreneurship or prepare youth for jobs in a modern workforce.

U.S Agency for
International
Development
www.usaid.gov

Hovering at 40 percent for five consecutive years, Serbia's youth unemployment rate was rated the world's fifth worst in May 2012 by the Open Academic Association's "Online Colleges.net." The World Economic Forum's 2012-2013 Global Competition Report identifies Serbia's higher education and training of youth as a factor in its poor labor market efficiency resulting in WEF ranking Serbia's economic competitiveness in the bottom third of 132 of the world's economies.

Municipal Youth Entrepreneurship Action Plans help local government take greater responsibility for solving their community's youth unemployment. Unusual for Serbia, Mayors have embraced the chance to act locally rather than wait for central government programs.

Thirty-three municipalities participated in the YEAP action requiring them to budget at least \$5,000, build a network of public, private and civic organizations and formalize the entire action into law. In the past three years, USAID has matched local commitments to direct support to some 7,300 youth; offered professional development training to more than 500 youth and entrepreneurship education to nearly 800 aspiring business owners; and gave \$200,000 in grants, vouchers and equipment at business competitions to nearly 200 existing young business owners.

Each YEAP uniquely, aligns actions to local needs and is envisioned as part of a municipality's overall economic development strategy. The South Serbian community of Blace, for example, used its YEAP to help build regional agribusiness. Partnering with a local dairy establishing a farm development center, the YEAP will train 30 young farmers in modern animal husbandry and 15 local youth as veterinary technicians. With the Economic Security Project's contribution of ultrasound equipment, the entire effort is to help local farmers increase production. Another community, eastern Serbia's Veliko Gradiste, worked with owners of the new Silver Lake resort, which provided training to 30 youth and hired the 18 top performers.

YEAPs' efficiency and effectiveness moved half of USAID municipalities from 2010 and 2011 to renew budget allocations for the activities. To date, 13 communities implemented 26 activities serving 8,093 youth.

YEAPs have shown local governments that their investments are sustainable and create a winning economic development strategy: preparing youth for jobs, keeping them home, encouraging youth-owned enterprises and developing opportunities for youth to become responsible for their economic future and contribute to local development.

ANNEX H

CASE STUDIES

Gold Star textile manufacturing is about to celebrate its 20th anniversary and its birthday present is a new 16,000-square-foot factory. It may seem small by global standards but it is a world away from the 1,000-square-foot basement in the family home that housed the company for its first decade.

Hrustem Hamzic's entry into entrepreneurship is not unlike many in the two regions targeted by the Economic Security Project. As a new father with few options when the state-owned textile plant went bankrupt during Serbia's economic deterioration in the 1990s, Hamzic recruited his brother, raised money from relatives and bought sewing equipment from the defunct SOE. Now he was a business owner. Mother, father, wives, and eventually children comprised the initial workforce. The basement was their shop.



THE GOLD STAR COMPANY 1993 – 2012: From Surviving to Thriving

The possibility of a new factory was not something most textile manufacturers in the southwest corner of Serbia, a region known as Sandzak, could think about in 2007. Gold Star is an example of how the Economic Security Project strategy of working side-by-side with the textile sector as it learned modern market economy management methods, prepared for export markets and modernized production helped to revitalize this company and 43 other Sandzak-based apparel manufacturers like it.

FAILURE WAS NOT AN OPTION: Gold Star 1993 – 2008

Sandzak was targeted by the industrial development strategy of the former Republic of Yugoslavia as the country's textile center with Novi Pazar as the region's main city. Its textiles manufacturers were known throughout Europe for their quality and urban design. The companies in the small municipality of Prijepolje are best known for their woolen products made with the wool of local sheep farmers.

Gold Star survived by producing ready-made knitted goods for all ages using raw materials – cotton and wool produced locally. It allowed them to keep overhead and prices down capturing increasingly larger shares of the local market and expanding into neighboring Montenegro.

Transition did not provide much relief for Sandzak's textile industry. Privatization of Novi Pazar's large remaining factories was mismanaged and by 2006, the industry was near collapse. Gold Star is one of the few Prijepolje factories to remain stable. It opened new retail outlets in the region, sold its products throughout Montenegro and entered the untapped market of printing logos on T-shirts.

Best Business Plan Competition: 2008

In 2008, Gold Star experienced a major breakthrough when it won the Economic Security Project's best business plan competition. One of its first activities, the competition introduced companies to the importance and experience of business plan writing and helped the project identify companies with the potential for growth. A total of 108 companies submitted business plans; 41 were selected for grants toward the plan's implementation. Gold Star used the new resources to purchase new sewing machines as replacements as well as to expand production.



Targeting the Right Companies: Passing the Assessment 2009

Neither Hrusem nor his brother, Sead, had a day of business training. With the knowledge gained by trial and error, the brothers had developed Gold Star to the point where it met the three criteria the ES project established to invite companies into the intensive business support activity: (1) consistent sales growth; (2) strong potential for new market and jobs expansion; and, (3) was a legally registered company. It was selected from 1,000 companies reviewed to be among the first 137 program-supported companies.

Hrustem participated in the core business training organized by ES service providers. In 2010, the ES project delivered management, marketing and sales training to 22 other managers and owners from Sandzak. For Hrstem, as for most participants, the seminars were their first-ever formal business education. It also was the first time that owners and managers of the textile companies sat in the same room to discuss the challenges of business in Serbia and the textile industry's special needs. The recognition of the common challenges and goals during those group trainings helped to plant the seeds that would grow into the ASSTEX and Prijepolje textile clusters. For Gold Star, the training delivered new confidence along with new knowledge. "I was more relaxed with USAID behind me. We immediately improved our bookkeeping and sales techniques and took steps to improve efficiency," Hrstem reported. He followed the seminars by participating in advanced sales training in key account management to prepare for larger orders and expand exports beyond Montenegro.

NEW BRAND. NEW MARKET: Technical Assistance 2011



As part of the marketing and sales training, all companies had to write formal marketing and sales plans. They received follow-up coaching to review their plans and get feedback from ES' technical service provider. The process highlighted the need for the company to expand into new markets. In November 2011, the company joined "Jeans from Serbia" companies at the annual Albanian Panair Fair in Tirana.

The trade fair also highlighted the company's need for new marketing materials, an activity it began in 2011. Gold Star is targeting a more youthful demographic, especially for its logo printed T-shirts. The company could begin to see the impact of its improved management and market expansion efforts as revenues were showing sustained and substantial growth. Company sales more than doubled between 2008 and 2011, growing from \$120,000 in 2008 to \$282,000 in 2011. Most importantly, the company has seen increased revenues all four years of its participation including 2009 and 2010, the most difficult of the economic crisis.

PREPARING FOR LARGER EUROPEAN MARKETS: Meeting Standards and Technology 2012

The Hamzic brothers demonstrated a commitment to take Gold Star to the next level by dedicating the resources to upgrade management and operations to meet ISO 9001 certification. Also joining the computer-driven management planning software assistance in 2012, the company is ensuring its new plant is among the region's most modern and declaring its intent to be competitive in the European market. The company's first test of this readiness was Poland's Fashion Show in Poznan in September, where it secured \$26,000 in new contracts and continued discussions with Polish sales partners met during a trade mission to Warsaw and Lodz to advance Sandzak's textile industry's long-term interests in Poland.



INTENSE BUSINESS SUPPORT: Business Potential becomes Business Profits

The Hamzic brothers made it through the 1990s and the first years of the transition on sheer determination. "Failure was never an option. The business was the only source of income," Hrstem explained. Many ES-supported companies share similar stories. Today, owners of Sandzak's textile companies have positioned themselves for permanent market presence in Russia and Poland, currently two of the region's most dynamic economies, proving that their businesses can truly compete successfully in a global market.

It is not an anomaly that this small, southeastern Serbia municipality with youth unemployment over 60 percent designed a one-of-a-kind solution to open new professional opportunities for its young people and give them one more reason to remain in the area. It is an illustration of how a series of Economic Security Project-designed activities organized and conducted within a strategic framework combined with a willingness to think and act creatively and cooperatively can achieve social reform greater than the sum of its parts.

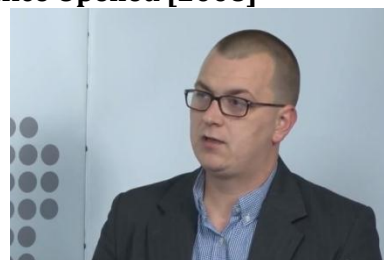


KNJAZEVC YOUTH OFFICE 2008-2012: From Social Club to Policy Leader



INFRASTRUCTURE TO DELIVER YOUTH SUPPORT - Youth Office Opened [2008]

Knjazevac was among the first municipalities to give space for youth to meet. The first Youth Offices had no official mandates and neither the youth nor municipal leaders had a plan for the office's role and responsibilities. The ES project saw the YOs as a vehicle for organizing support activities. Bojan Radosavljevic was hired as Knjazevac's Coordinator and continues in that position today.



Building Human Resources: Professional Development for Coordinators [2009]

With no official plan, the Knjazevac YO also had no budget appropriation. Radosavljevic saw the role his office could play but admitted he did not know how to proceed nor did he feel empowered to act. He gained focus after attending the Economic Security Project's two core professional development courses for YOCs: Leadership, Communications and Marketing Promotion and Introduction to Entrepreneurship. "I was taught how to think strategically and how to plan," Radosavljevic said. "It gave me confidence to speak and to use that voice to take action." He credits this early education with the office's ability to not only survive four changes in local government but also to thrive. In 2009, the municipality included the Youth Office in its annual budget. Between 2009 and 2012, his annual budget has more than doubled from \$7,300 to more than \$15,700.

ENTREPRENEURIALISM AS YOUTH EMPLOYMENT STRATEGY: Youth Offices as Employment and Business Resource Centers [2009 - 2010]

Radosavljevic was not only among the first group of youth officers to receive professional development training; he was among the first to organize the ES-designed *Business Planning and Financial Resources* seminar. He organized it in 2009 in his community for around 18 young people who were starting companies – he wanted them to have the knowledge needed to be successful. The ES entrepreneurship training covers business planning and access to financing, as start-up capital is vital to the success of new business.

ENGAGING A COMMUNITY IN YOUTH SUPPORT: YEAPS [2010]

The creation of the municipality's first Youth Entrepreneurship Action Plan in 2010 was a watershed action for the Youth Office as well as the community's young people.

The leadership over the YEAP process coupled with responsibility to manage its implementation elevated the YO in the eyes of the community; better still, it strengthened its role within municipal government. Uniting private business, civic organizations and municipal leaders to write the plan in concert with its young citizens opened all eyes to their ability and responsi-

bility to solve the pressing problem of keeping youth at home by giving them the motivation and opportunity to stay.

YEAP actions implemented in 2010 focused on information and education to get young people thinking about what they needed to do to prepare for jobs. Seminars in business education were held for 32 youth who had applied to the Development Fund of Serbia for start-up loans. The activity's goal was to have the youth prepared to use the resources wisely. Among the participants, 23 of them received the start-up loans. The Youth Office also had the opportunity to complement its ES-supported YEAP activities with career counseling and a seminar in basic professional skills by tapping into a Ministry of Youth and Sport initiative.



Maximizing Opportunities: [2011]

Leveraging his newly found authority, Radosavljevic engaged in a National Employment Service (NES) program, *First Chance*, to give 85 young people their first job. Financed jointly by the NES and the municipality, many of the participants worked in government or other public service positions which made them eligible to take Serbia's "civic service" test to qualify for permanent positions.

Re-YEAP: [2012]

Selected as an ES-supported "re-YEAP" community for the ES project's final year, Radosavljevic used all the lessons-learned since partnering with the program to frame a more focused long-term strategy in 2012 that would tackle the exact needs of Knjazevac youth. The Youth Office again addressed both sides of the employment equation: helping young business owners succeed and finding jobs for those who need them. In a two-tracked approach, the Youth Office initiated two long-term projects: A marketing campaign for youth-owned businesses to compensate for the lack of advertising outlets in the region and an employment service for youth to help address job creation through more efficient matching of business needs and youth skills.



Knjazevac's 2012 YEAP is unique because it is more than an attempt to help young people start businesses and find jobs for youth. It is an approach that puts youth-owned businesses at the center of local economic growth.

Innovative and Sustainable: Youth Offices Develop and Manage Municipal Youth

Knjazevac's is typical of the 118 Youth Offices supported by the Economic Security Project: it serves an area that includes a rural population. Its industry is a mix of agriculture, small factories and tourism. It is mostly dependent on national allocations for its budget because own-source revenue from the local economy is modest. Yet, from the commitment to give municipal youth a space in 2008 to the 2012 grand opening of the first Youth Outsourcing Center, the YO has shown that more than a need for large budgets is a need to think and act differently. Given the opportunity to gain professional development, exposure and education on entrepreneurialism and a method to engage community action through the support of the ES program, municipalities like Knjazevac all across South Serbia and Sandzak have customized youth employment solutions and committed the resources to sustain them.